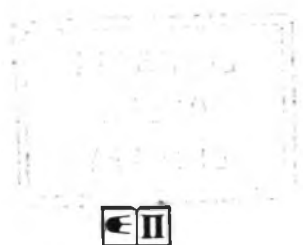


A. Rumyantsev

**Categories and Laws
of the Political Economy
of Communism**



Progress Publishers

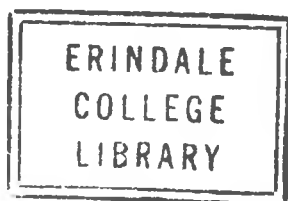
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А. М. Румянцев,
О КАТЕГОРИЯХ И ЗАКОНАХ
ПОЛИТИЧЕСКОЙ ЭКОНОМИИ
КОММУНИСТИЧЕСКОЙ ФОРМАЦИИ

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FOREWORD TO THE FIRST RUSSIAN EDITION

Marxist-Leninist political economy studies the relations of production in all socio-economic formations, their emergence and development, and their consecutive transition from one stage of society to the next, higher one.¹ Having evolved under capitalism as a direct continuation of classical political economy (and at the same time as a profound scientific criticism of its shortcomings and distortions), Marxist-Leninist political economy has developed into the direct antithesis of vulgar bourgeois economic theory. Marxist-Leninist political economy is a qualitatively new stage in the development of mankind's economic thought, a profound revolution in economic theory. It is the political economy of the working class. As opposed to bourgeois political economy, which embodies the theoretical views of the capitalists, the political economy of the working class, scientifically reflecting reality, criticises the capitalist form of social production, governed as it is by the blind forces of supply and demand. The political economy of the working class has become a theory of social production relieved of its capitalist shell and governed by social foresight based on objective economic laws. This is the essence of the political economy of communism.

The political economy of communism is a major component of Marxist-Leninist political economy. The subject-matter of the political economy of communism embraces the social relations of production during the period of transition from capitalism to socialism, under socialism and under full communism. It discloses the laws of the communist mode of production and distribution of material wealth, and shows how these laws operate and how they

¹ The subject-matter of political economy is dealt with by the author in his *O predmete politicheskoi ekonomii* (On the Subject of Political Economy), Moscow, 1960.—Ed.

are used by society at the various stages of development of communist society. Without a deep understanding of the economic laws of the communist formation and of the mechanics of their operation it is impossible to obtain a clear picture of the manifold phenomena of economic life typical of these stages of communist development. Only mastery of these laws makes successful economic management possible.

The task of this book is to clarify the main features of the *method* of the political economy of the communist formation, its *dialectical logic*. Therefore, my analysis of the functioning and development of communist relations of production and of their categories and laws is not made for its own sake, but only in order to make possible a study of the method of political economy. I investigate the various categories and laws only if and when this is necessary to show the main features of the methodology of political economy, and only to the extent needed for that purpose.

Methodological research is of enormous importance. The Marxist-Leninist parties have repeatedly directed the attention of economists to the vital need for a scientific elaboration of the problems of the methodology of political economy. Questions of the methodology of political economy concern the very essence of political economic research. Method has a decisive effect on the results of the scholar's work, i.e., it decides whether or not his results reflect the essence of the reality studied. It thus becomes evident that method is responsible for all positive or negative consequences of economic practice, by which is understood the utilisation by people of society's productive forces. Correct method is also vital for the correct presentation of economic science.

In treating the problems in this book, I naturally proceed from the fact that the method of political economy has in general already been outlined in the works of the classics of Marxism-Leninism. This is the method of dialectical materialism. It applies universally in the study of all stages of the economic development of human society. The dialectical laws expressed in the Marxist-Leninist method of political economy are not external to the subject of research but are inherent in it.

The subject-matter—the relations of production—is

constantly developing and the method follows the development of the subject-matter. Every stage in the development of the social economy adds to that method specific features, properties, ways and means. This development of the method, however, is unable to change its fundamental content, that is, its dialectical essence, for the subject-matter itself—economic life—is dialectical.

Dialectics, reflected in the method of dialectical materialism, is as vital to political economic research into the communist formation as it is to that into other formations. This is natural, since the subject-matter, as far as its general characteristics go, is the same—it is the relations of production in their indissoluble dialectical interrelation with the productive forces; and it is the method of the utilisation by society of these forces that is at the heart of all economics. At the same time, the method of the political economy of communism has a number of distinctive features. For example, communist production relations advance to the foreground of the investigation, and *the whole* is examined (i.e., the society of the joint owners of the means of production engaged in joint economic activity) rather than the parts, i.e., economic individuals, opposing each other, as is the case with, say, capitalism.

Comprehensive research into the interrelations of people under communism is possible only if it proceeds from the whole to the part, from the general to the particular. It is only in this way that we can reveal the organic unity of such seemingly separate and self-contained units as society, the enterprise, and the individual. In other words, it is only in this way that we can show that genuine collectivism is a condition for the all-round, free development of the personality of everybody (an essential feature of communism), and that the free development of the personality (which presumes the absence in society of antagonistic interests) is a condition for the full development of genuine collectivism, both on the scale of society as a whole and at the level of its economic structural units or "cells".

Compared with the study of precommunist formations, the study of communist relations of production calls for a new approach to the question of the mechanism by which economic laws operate, and the role of the subjective factor in the economy. The utilisation of mathematical means of analysis of the quantitative aspects of economic rela-

tions, and specifically of electronic computer techniques acquires ever-increasing importance in the method of the political economy of the communist formation. Social foresight, which regulates modern production, cannot do without these means. The dialectical development of the objective, mutually determined quantitative and qualitative parameters of the economy of the communist formation every time gives rise to new properties, marking the gradual growing of socialism into communism and the development of the latter.

As in all other formations, the laws of communist production relations are basically uniform throughout the historical existence of these relations. They express the essence of the same production relations. Yet, at every stage of communism's development, its laws assume special distinctions. This is because they are modified by the concrete historical conditions prevailing at the particular stage of development of the communist economy. This, of course, is neither unexpected nor extraordinary. The modification of laws is typical of all formations. The difference is that in communist society the laws undergo the greatest modification in the first stages of the making of the new society. Some of the specific laws of the first phase of communism disappear in the second. The closer society approaches full communism, the fuller communism asserts itself in everyday life, the more apparent becomes the essence of the laws of the formation as a whole.

This is determined by the fundamental changes that take place in the economy, by the progress made by the joint owners of the means of production in the development of social production. It is this that imperatively demands that the method of the political economy of communism investigate the objective economic relations of that formation first and foremost in their *ideal*, "*pure*" form—which means studying the laws of those relations and their specific manifestations at every stage of the formation's development in a pure form. This is particularly relevant today when the Soviet people are implementing a far-reaching economic reform, which can be carried into effect only on the basis of a scientific knowledge and utilisation of the objective economic laws of socialism.

The political economy of communism has many other methodological aspects. The present volume deals with

some of them. It should be clearly understood that I do not set myself the aim of investigating all aspects of its methodology. This would be a task for many researchers. I have confined myself to investigating some of the basic problems of the method of the political economy of communism.

As regards its aims and intentions, the present work does not claim to be an exhaustive survey even of the problems it touches upon and should rather be regarded as a series of interconnected essays, linked by a single subject. Each essay is an introduction to the subsequent one. The subsequent essay develops problems which have in one way or another been touched upon in the preceding one. Hence certain repetitions in the book are unavoidable.

The book begins with an introduction, which deals briefly with general questions of the method of political economy. The following four chapters discuss particular questions of the method of the political economy of communism, proceeding from the concept of category to the concept of law. Phenomena are examined in their pure (ideal) form. I deliberately ignore the subjective factor in these chapters in order to reveal the objective nature of the phenomena, as generalised in categories and laws. The fifth chapter is dedicated to the subjective factor. It dwells on the significance of economic policy, that is, on the economic activity of the Party, the Government, and the masses in developing social production, guided by social foresight.

I wish to express my deep gratitude to all those who have sacrificed their time to read these essays in manuscript and who have offered views and suggestions on the problems discussed in them.

June 20, 1964

FOREWORD TO THE ENGLISH EDITION

This book was originally intended for Soviet readers. Obviously, many of the problems it deals with are so familiar to them that they require no additional comment. To those foreign readers, however, who live under capitalism, some of the problems raised will undoubtedly require further explanation. But, there are few such problems in the book, and socialist economy is so logical that the absence of voluminous clarifications of some problems will not interfere with an understanding of the main issues. It should be pointed out that polemics have been resorted to only if and when they seemed necessary to throw some of the methodological propositions of Marxist-Leninist political economy into "bold relief". The criticism of the theories and views distorting Marxism-Leninism, and also of petty-bourgeois nationalistic works using Marxism as a cloak (for example, the "thoughts" of Mao Tse-tung) should become the subject of another volume.

Yet, in view of the fact that a number of economists calling themselves Marxists have for some time now denied the importance of the works of Marx, Engels and Lenin to a study of contemporary economic problems, I considered it necessary to refute such views. I did that by quoting from the works of the classics of Marxism-Leninism, thereby emphasising that these works are not outmoded, but, on the contrary, are indispensable to any investigation of modern problems, and that without them the origin of today's problems and the shape of things to come cannot be understood even in broadest outline.

I publish the book almost unchanged from the second Russian edition (1965). A few essential amendments have

been made (in particular, experience in the mathematical analysis of the problem of satisfying requirements has been included).

The foreword to the first Russian edition will help the foreign reader understand the general scope of this work.

December 20, 1966

INTRODUCTION

[General Questions of the Method of Political Economy]

In studying socialist relations of production as they exist now, the question arises as to what path political economy should follow in order to arrive at the cognition of the economic laws of socialism.

That path is the dialectical path or method of discerning the truth that is common to all the sciences. The main stages of that path have been formulated by Lenin as follows: "From living perception to abstract thought, *and from this to practice*,—such is the dialectical path of the cognition of *truth*, of the cognition of objective reality."¹

The cognition of objective reality (of nature and society) in its historical perspective can begin (and in a definite sense always does) only by "living perception", i.e., by direct perception in the course of practical activity. Such perception, however, reflects only the outward appearance of phenomena; this enables us at best to perceive the superficial constant connections determining the place of the phenomenon in the chain of other phenomena. Elementary generalisation from direct facts furnished by such perception is known as *common sense*, which is quite sufficient for ordinary everyday requirements. Practice, however, also advances the need for the scientific cognition of reality. This requirement arises when people in their activity become aware of the necessity to penetrate into the heart of phenomena, to learn the inner connections and transitions that are hidden from direct observation, to understand the essence of the things and relations they are utilising.

Science always develops under the influence of the practical requirements of society and for the purpose of satisfy-

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 171.—Ed.

ing its definite needs. Its findings, or scientific theories, as Lenin said, "form the basis of action to be undertaken... give us confidence in those actions."¹ Science, born of practice, places its findings at the service of practice, which being enriched by them, uses them and simultaneously tests their correctness.

The need for a scientific understanding of the economic intercourse of people emerged when that intercourse grew *complex*. Never and nowhere have people lived in isolation from one another. In their labour and in the use of the wealth they create, they are always connected in many ways. Their activities intertwine and are mutually conditioned. These relations of people create the definite organic unity or aggregate known as society. Marx said that the aggregate of these relations, in which the agents of production stand with respect to Nature and to one another, and in which they produce, is precisely society, considered from the standpoint of its economic structure.²

So long as this living intercourse of people in production and the utilisation of material wealth, or society, was confined to tribal links and the joint collection of products found in nature (including hunting), common sense, as we defined it above, sufficed for them to understand and to carry on their economic relations.³ With the emergence and development of private property, commodity economy and the exploitation of hired labour, there emerged an ever-growing social need for the comprehension of the economic interrelations of people, to serve as a basis for their practical action. However, the recognition of this need was of a class-limited nature. It was at this time that political economy emerged as a special science, one studying the economic life of society.⁴

Taking up the study of economic life, political economy did not make it its aim simply to describe or photograph its outward appearance, with all its incidental and particular concomitants, but to penetrate into the depth, into

¹ V. I. Lenin, *Collected Works*, Vol. 26, Moscow, p. 389.—*Ed.*

² See K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 818.—*Ed.*

³ See K. Marx and F. Engels, *Collected Works*, Russ. ed., Vol. 3, p. 65.—*Ed.*

⁴ The works of the ancient Greeks contain economic theories, but I refer to the emergence from the sum total of knowledge of political economy as a separate science.

the substance of the phenomena being studied. Any economic phenomenon is a relation (and hence also a movement) having at least two sides. But what constitutes the identity and the difference between the sides? What is the law of causality responsible for the relation? What is constant in that relation and what is temporary? These and similar questions cannot be answered when only the appearance of a phenomenon is studied. "The concept (cognition) reveals the essence (the law of causality, identity, difference, etc.) in Being (in immediate phenomena)—such is actually the *general course* of all human cognition (of all science) in general. Such is the course also of *natural science* and *political economy* [and history]."¹

A photograph of the facts of economic life in all their diversity, even on a country-wide scale, does not reveal the content, the essence of the economic interests of the millions of people expressed in them. No matter how detailed economic facts are described (which is not meant to imply that such accuracy of description is not essential) this will not enable us directly to gather from them anything but a knowledge of these facts in, as it were, their photographic immobility.

Let us, for example, take the outward appearance of the economic life of the U.S.S.R.² The U.S.S.R. is a vast territory—22.4 million sq. km. covered by a profusion of mountains, rivers and lakes, washed by many seas, and having enormous mineral resources (some of which are exploited and some of which are not as yet), huge forests, cultivated and uncultivated lands. It is a territory having different climatic zones—extending from the subtropics to the Arctic. In the towns and villages of the Soviet Union, interconnected by a network of roads and various other means of communications, live over 230 million people of over 100 nationalities with their particular customs and traditions. Fifty one per cent of the population lives in towns, 49 per

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 318.—Ed.

² We could take the findings of other sciences as a starting-point for an economic investigation—statistics, geography, etc. But as these sciences do not and cannot reveal the essence of economic relations, the data they provide must, from the point of view of the problems we are interested in, be relegated to the outward appearance of society's economic life.

cent in rural areas. According to the 1959 census, 52.2 per cent of the population were gainfully employed, 47.7 per cent were dependents, students, and pensioners. Of the gainfully employed, 42.1 per cent worked in industry, construction, transport, communications and trade, 38.8 per cent in agriculture; 14.1 per cent in educational establishments, research and design institutes, and cultural, educational and other public and administrative institutions.

Each industrial or trading enterprise, institute, office, building site, shop, etc., is an economic phenomenon, or a set of relations between the people employed in them. People join these organisations, leave them, join others. There are relations between employees and employers. They carry on all sorts of operations, differing in nature and skill, they move up and down the "social ladder", receive wages, income in kind and other benefits. There are relations between executives and executors, between members of collectives. On reaching a pensionable age, people retire. There are relations between the incapacitated members of society, and the society of the working people as a whole. What is the essence of all these relations?

We could, of course, say that their essence consists in the fact that people work for each other. Some produce material values, others spiritual values; still others render services. Industrial and agricultural enterprises manufacture producer and consumer goods, needed by all to live and work. Transport moves hundreds of thousands of tons of freight, millions of passengers. Building organisations erect productive, dwelling and public buildings. The trading network makes goods available to every single consumer. With their wages and salaries, the incomes of collective farms and farmers, pensions and other earnings, the working people buy (in shops, in markets, in service, cultural and educational establishments) the products and services they require, at definite prices.

All these are outward relations between millions of people in the production, distribution, exchange and utilisation of the essential means of subsistence. But why do these relations proceed in this particular way and in no other? What relations are expressed in the process of hiring and firing, workers' wages and the incomes of collective farmers, in pensions, and prices? Are they determined in some way or are they arbitrary? Are these relations con-

stant or temporary? What governs the dynamics of socialist economy as a whole? These and similar questions cannot be answered by an outward description of economic relations, even if we were to continue it *ad infinitum*. Such additional description would at best show us that every person plays a conscious and independent part in economic relations.

Generally speaking, vital requirements induce people to participate in economic activity. But everything that induces man to act passes through his mind and in one way or another actuates his will. People set themselves definite economic aims (in this context it is immaterial whether they understand these aims correctly or not) and strive to achieve them. The economic aims of different people may be opposed to one another or they may coincide. But it is only in their mass movement that people can establish practically whether their aims coincide or oppose one another. Only scientific research can reveal the objective grounds for the coincidence or opposition of the aims of definite groups of people (classes) or the unity of aims of society as a whole.

The forms of expression of economic aims are manifold. In socialist society these aims find their expression in comprehensive national economic plans, plans of individual industrial, construction, and trading enterprises and collective farms, and in the personal interests and intentions of every individual.

However, the economic activity of the individual, as also that of groups of people, right up to and including society as a whole (this can be seen even from outward appearances) brings not only the results they expect, but also unexpected and sometimes even undesired ones. The economic interrelations of people are full of all sorts of coincidences¹ and "particulars of external existence and activity" (Hegel) not only in presocialist societies but also throughout the communist formation, including socialism. Apart from natural calamities, unexpected, undesirable results may arise also in ordinary everyday working conditions.

¹ A coincidence, according to Marxism-Leninism, involves events the internal connection between which is so remote or so difficult to determine that we may, as Marx said, forget about it, consider it non-existent.

For example, all socialist enterprises, all sectors, and the economy as a whole, strive to fulfil (and overfulfil) the economic plan according to all targets and at the stipulated time. However, there are cases when plans are not fulfilled, when the projected is not always achieved in time. No worker wants his output to be rejected or his machine to stop. Yet there are rejects, stoppages and other organisational hitches.

Of course, Soviet people—engineers, designers, technicians, the workers of all enterprises—want their energy and creative endeavours to serve the common weal, to further the common cause. However, the efforts of many people and collectives are fractionalised, clash, and this greatly decreases the benefits accruing from them to the national economy.

The same questions arise time and again: what determines the movement of economic life of socialist society? Are there objective driving forces impelling that movement, which do not depend on the will and consciousness of people; and if there are, how is this compatible with the fact that people always act independently, voluntarily and fully aware of what they are doing?

And this once again convinces us that a description (or photograph) of the mere appearance of the various inter-related economic phenomena reveals neither their inner content nor their real causes. For example, neither the casual observer nor the participant in production (irrespective in this case of what society we take) is able directly to observe what part of the working day is spent recompensing expended means of production, what part of it goes to create the means of subsistence needed by the worker, and what part is expended on the creation of the product exceeding these needs. "In manufacture," Marx wrote, "the workman is not generally seen directly producing either his means of subsistence or the surplus in excess of his means of subsistence."¹

The discrepancy between the outward appearance and the essence of phenomena becomes particularly evident when we compare the outward expressions of economic relations in different socio-economic formations. If we

¹ K. Marx. *Theories of Surplus Value*, Part I, Moscow, 1963, p. 46.—Ed.

compare, for example, the outward forms of employment and labour at socialist enterprises with the hiring of labour and work in capitalist enterprises, we may at first glance fail to perceive any essential difference between the two. Both under socialism and under capitalism, outwardly, two parties participate in the process of employment: the employee and the employer. In the labour process at similar industries both in socialist and capitalist enterprises identical machinery, raw and other materials are used, the organisation of labour is relatively similar, all sorts of comparable penalties, including dismissal, are applied, etc.

However, this outward formal semblance conceals a different essence, which the outward appearance does not show, and which needs to be disclosed. Only by penetrating into the depth of these relations can we see that in the one case—at capitalist enterprises—labour power is bought and sold as a commodity and that the worker is exploited by the capitalist; while in the other—at socialist enterprises—one of the co-owners of the public means of production enters into comradesly co-operation with another similar co-owner, and that he works both for himself and for his society and that, hence, there is not and cannot be any exploitation.

To discover the essence hidden behind the outward appearance is the task of science. And if, as Marx justly wrote, the outward appearance and the essence of things directly coincided, all science would be superfluous.¹

Political economy is called upon to reveal the essence of the manifold economic relations hidden behind all coincidences, particulars and outward appearances.

At the same time, as we have already mentioned, it is the outward appearance of economic relations, or to be more exact, the practical activity of people, that is the point of departure for scientific cognition. "In order to understand," Lenin wrote, "it is necessary empirically to begin understanding, study, to rise from empiricism to the universal. In order to learn to swim, it is necessary to get into the water."²

¹ See K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 817.—Ed.

² V. I. Lenin, *Collected Works*, Vol. 38, Moscow. p. 205.—Ed.

Accumulation and selection of facts

To begin cognition, it is necessary first of all to amass facts relating to the object of cognition. This is the first step in every science. In economic science this calls for an accumulation of facts relating to the interrelations of people in production, distribution and exchange, the circulation of products, money, price-formation, wages and many other aspects of the economic life of modern socialist society—in all their particularity and uniformity, difference and unity, interconnection and interdependence.

Not every collection of facts can be used for scientific research. We could amass many multifarious facts, which could not however serve as basis for research. This inevitably happens when we select at random unrelated facts, referring to different problems or even different historical epochs, and when we dig out isolated facts from whole sets of facts, ignoring their elementary connections, etc.

The question of the nature and the degree of the connection between accumulated facts is one of the fundamental problems of any science, including economics.

The category of *connection* holds a central place in materialist dialectics. Its comprehensive analysis from a general methodological point of view is of the greatest importance in solving a wide range of problems of the various sciences. Unfortunately, there have been practically no philosophical works in recent years specially dedicated to an analysis of this category.¹ Our task naturally does not include making up for this deficiency, so we shall confine ourselves to a few essential remarks.

The accumulation of facts, their systematic selection, presupposes definite criteria on the basis of which this selection should be made. On the face of it, it should suffice to establish that these facts relate to groups of objects possessing qualities which divide them in space from other groups. This criterion was adhered to by metaphysically thinking philosophers and natural scientists of the past, and indeed it was quite adequate for the descriptive natural and social sciences. However, at the level of theoretical research this criterion is simply refuted by the considera-

¹ Among the few articles published on this subject is A. A. Zinovyev's "A Definition of the Concept of Connection" (*Voprosy filosofii*, No. 8, 1960).

tion that the same material objects can be and are studied by different sciences. So if we reject the idea that scientific knowledge can be divided up arbitrarily, we must look for a different criterion for the selection of the facts to be studied by the various sciences.

In the solution of this task a most important role is assigned to the category of connection. Theoretical sciences study not groups of material objects, even though the material substratum is of great importance, but definite types of objective connections and interactions between them. A single science does not study a given object as the sum total of all its properties, but only deals with those properties which include it in that objective, internally law-governed system of connections that is dealt with only by that science.

For example, Marx described the commodity as a thing having a truly unlimited number of properties, physical, chemical and others, which may be studied by the relevant sciences. The commodity, moreover, is also a unity of use value and exchange value. Now use value in itself is a subject not of political economy but of commodity science, whereas exchange value (a form expressing the production relations between people) is the subject of political economy. Political economy does not study use-value as such, it studies it only insofar as it is the bearer of value, i.e., only insofar as it relates to the system of connections studied by the science of political economy—the system of the production relations of people. In the same way, not all the connections and relations between people are studied by political economy, but only those that form in the process of the production, exchange and distribution of material and spiritual values.

Thus, the selection of the relation that is elementary and at the same time universal for the given class of phenomena, or of the objective qualitatively special type of connection, is the first criterion serving as a basis for the selection of facts.

In the process of that selection a number of other general-scientific criteria, which are based on the differences between the various kinds of objective connections, are used, making it possible not only to select facts, but also to establish their preliminary subordination. All connections differ first of all as regards *time* and *space*. They can

also be divided into *stable* and *unstable* connections, *continuous* and *discreet* connections, *enduring* (relating to the whole period of the existence of the system being studied) and *transient* connections (relating only to particular stages of the system's development); connections embracing the *whole* of a phenomenon or only its *separate* parts; *internal* and *external* connections; *regularly repeating* and *non-repeating* connections; and, finally, *qualitative* and *quantitative* connections. Lenin attached great importance to the general-scientific criterion of *repetitiveness*, without which objective research is impossible. *It is those differences that form the main basis for the classification of facts and for their further theoretical analysis.*

The selection and preliminary processing of facts on the basis of the space-time type of connections enables us in the course of further theoretical research to divide the *essential* from the *non-essential*, the *necessary* from the *accidental*, the *determining* from the *determined*, the *deep* from the *superficial*, and the *mediated* (complex) from the *direct* (simple). *Stable, enduring, internal, repeating* connections are shown to be *essential, necessary* and *determining*. The totality of these connections forms the internal structure of the object of study—in our case, the anatomy of the economic organism, which is expressed in the categories of economic science. In turn, these connections serve as the basis for discovering the deeper causative connections, expressed in scientific *laws*, which constitute the movement and development of the object of research, or, in our case, the “physiology” of the economic organism.

Below we shall deal with these questions in greater detail. At present it is important to emphasise that even during the first stage of scientific cognition it is important for the investigator to possess a deep knowledge of methodology, and to take into account the different kinds of connections. The investigation of haphazardly selected facts and events, one that accepts the motley, outwardly observable intertwining of people's interests and actions as the essence, is typical of unscientific empiricism but not of scientific cognition. The attempt to formulate laws of economic theory on the basis of particular facts chosen at random from the universe of facts, leads to the formation of *a priori* notions having nothing in common with reality, to a replacement of true cognition by a scholastic twisting of facts in order

to adapt them to abstract notions and to crude contradictions of theory. Facts cannot be artificially co-ordinated if their real, essential connections are ignored or distorted. "Crass empiricism turns into false metaphysics, scholasticism, which toils painfully to deduce undeniable empirical phenomena by simple formal abstraction directly from the general law, or to show by cunning argument that they are in accordance with that law," Marx said.¹

So as not to fall into empiricism it is essential to accumulate historically definite and comprehensively interconnected facts relevant to the question being studied.

"... We must take not individual facts, but the *sum total* of facts, without a *single* exception, relating to the question under discussion. Otherwise there will be the inevitable, and fully justified, suspicion that the facts were selected or compiled arbitrarily, that instead of historical phenomena being presented in objective interconnection and interdependence and treated as a whole, we are presenting a 'subjective' concoction to justify what might prove to be a dirty business."²

This demand for a scientific observation of reality becomes the more urgent, the higher the stage of social development, the more complex and diversified the economic phenomena, the wider the territorial scale of economic relations. When society consists of millions of people and has a ramified social division of labour not only within a country, but also between countries, it is impossible to rely on isolated data and general considerations. In these complex conditions it is, of course, easy to find any number of examples or isolated facts to confirm any proposition, but such a selection of facts is pure political chicanery.³

Nevertheless, a very widespread method of investigating social phenomena today is the method of referring to isolated facts or the citing of separate examples to prove a particular proposition. Of course, we are not saying that research should not make use of examples, but there must be certainty that these examples are really *exemplary*, i.e.,

¹ K. Marx, *Theories of Surplus Value*, Part I, Moscow, 1963, p. 87.—Ed.

² V. I. Lenin, *Collected Works*, Vol. 23, Moscow, pp. 272-73.—Ed.

³ See V. I. Lenin, *Collected Works*, Vol. 23, Moscow, p. 272.—Ed.

that they are *typical*—or in other words that they are really comparable with mass data.

Modern bourgeois economists, proceeding from their class interests, generally operate with separate facts. To justify this approach they often assert that the enormous body of facts subject to scientific observation makes it impossible to cognise modern economic reality as a totality of facts.¹

Attempting to lend their economic research the semblance of objectivity, these economists try to give theoretical substantiation to their methods of selection. First of all they divide reality into two, into an "object of experience" and an "object of cognition". They require that the "object of cognition" be singled out from the "object of experience". This "singling out" of the "object of cognition" from reality, they say, can be achieved only if the student sets himself a "definite aim" and selects the necessary facts in accordance with that aim.²

Admittedly, if we are to understand by the "object of experience" the whole multitude of external influences of which the individual is conscious, and by the "object of cognition" this or that specific object of scientific analysis, we really are entitled to speak about a singling out of the latter from the former. However, we are dealing with a political economic study of economic reality in its totality, with a specific object of scientific cognition. And if we are to single out an "object of cognition" from the totality of this "object of experience", this will divorce the part from the whole, and cognition from reality.

It is also true that science is the supreme form of cognition, precisely because it is a practical purposive activity, and so the selection of its subject-matter is not unconnected with the advancing of definite research aims. But what should we understand by the preliminary advancing by the student of a "definite aim" for his research? If the aim is the elaboration of principles these obviously do not emerge prior to experience, but only as a result of it. At the beginning of an investigation we have at our disposal only those basic principles discovered by former investigations.

¹ See, for example, W. Eucken, *Die Grundlagen der nationalökonomie*, Berlin-Göttingen-Heidelberg, 1950.—Ed.

² See, for example, A. Weber, *Allgemeine Volkswirtschaftslehre*, 1955.—Ed.

Even if we proceed from a scientific hypothesis, it, too, is built upon the sound foundation of previous investigations.

Some modern bourgeois theoreticians are inclined to take a *prejudiced point of view* for a hypothesis.¹ In that case the setting forth of a "definite aim" transforms the cognition of reality into random, subjective mental speculation, side-tracking the investigator from the true and only aim of genuine economic science—the cognition of objective reality, of the true phenomena of economic life and the placing of that cognition at the service of society. Moreover, a subjective approach to the selection of facts, a refusal to consider the whole totality of facts relating to the question being studied, inevitably leads to a falsification of reality, concealed only by a semblance of objectivity. In this way it is possible to draw any conclusions required to meet "customer's orders", no matter how far they are from reality.

In his time Hegel warned against such cunning manipulation of facts for the "explanation" of theoretical propositions. He wrote that such "adjustment" serves only "to disguise the trick of Cognition, which takes up the data of experience one-sidedly (the only manner in which it could reach its simple definitions and formulas), and does away with refutation from experience by proposing and taking as valid experience not in its concrete totality but as an example, and only in that direction which is serviceable for the hypotheses and the theory. Concrete experience being thus subordinated to the presupposed determinations, the foundation of the theory is obscured, and is exhibited only from that side which is in conformity with the theory." Marking this place in Hegel's *Science of Logic*, Lenin wrote in the margin: "Remarkably correct and profound (cf. the political economy of the bourgeoisie). Against subjectivism and one-sidedness."²

The bourgeoisie uses political economy not to discover truth, but to obscure it—this characterises the bourgeois class and party approach to this science. Some modern bourgeois theoreticians attempt to veil their rejection of the scientific cognition of reality with theoretical argu-

¹ See, for example, Henry B. Mayo, *Democracy and Marxism*, New York, 1955.—Ed.

² V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 210.—Ed.

ments of a Kantian type. Political economy cannot be scientific, they aver, because the economic actions of people at every single moment of their lives are so unpredictable and different, so unrepeatable and various, that scientific generalisation from them is completely out of the question. Hence, the only thing that is possible is a description of phenomena. Political economy cannot be scientific, they say, because it does not possess what is essential to every science, viz., certainty (because, they argue, economic activity is full of exceptions and interruptions) and universality (because economic activity is so exceedingly individual).

A variation on this theme is the idea that pure political economic theory does not possess sufficient empirical content, but is only a system of logical connections, that in political economy everything is essentially indefinite. "In national economy (i.e., political economy—A.R.) everything is indefinite," wrote the prominent bourgeois economist Werner Sombart, "even its subject."¹

Such assertions contradict facts. In spite of the chaos of the individual actions of people, repetitiveness and comparability mark their economic activity. For example, the sale by the worker of his labour power in capitalist society and his production of surplus value do not cease or change, nor do they change the worker, do not make him a capitalist. He remains a worker. By the same token, the capitalist, constantly buying labour power and appropriating surplus value does not become a worker but remains a capitalist. Another economic regularity is the transition (following Russia) of a number of European and Asian countries, and of Cuba to socialist relations of production—all of which again demonstrates the existence of repetitiveness and comparability in economic life. But what are facts to the modern theoreticians defending the capitalist system? An apt sophism, providing a semblance of truth, is more important to them than any fact.

No matter what "theoretical" grounds are used for the rejection of a scientific cognition of economic life, they all prove that bourgeois science in reality was and in the main continues to be a vulgar apology for capitalism. The

¹ W. Sombart, *Die drei Nationalökonomien*, Munchen und Leipzig, 1930, S. 1.—Ed.

apologetic nature of the theories of vulgar economists, especially after the October Socialist Revolution, became so obvious that even bourgeois theoreticians themselves were compelled to speak of the lack of correspondence between these theories and reality. John Maynard Keynes, the British economist, observed that "professional economists, after Malthus, were apparently unmoved by the lack of correspondence between the results of their conclusions and the facts of observation".¹

The theory of the "impossibility" of scientific political economy is being more and more closely identified with the idea that political economy is a descriptive science only, one that has a purely utilitarian character, a kind of applied mathematics in the economic field.

While the apologia of bourgeois economists, representing the interests of capital, differ—some are more vulgar, others more refined and subtle, more pseudo-scientific—all of them have a vulgar-apologetic, unscientific content. Only the working class—which is interested in the truth and in making a correct practical application of it in the interests of all society—has a class and party approach to political economy that is truly scientific.

The essence of a subject can be cognised only by studying the subject itself. It is only by embracing the totality of facts relating to questions of study, that these questions can be scientifically cognised. This does not mean that a knowledge of facts is in itself sufficient for a scientific cognition of reality. Only painstaking scientific work on the accumulated facts makes it possible to discover the essence they conceal. Marxist-Leninist political economy, studying its subject in all its wealth, strives to embrace the totality of the facts relating to it without exception—and so leads to a cognition of the essence of the subject.

When it comes to the accumulation of facts not every student has to begin his researches from scratch, as though there had been nothing done before him. Taking up the study of some problem, the student assimilates everything that has been accumulated by his predecessors in his field. Karl Marx, for example, taking up his researches into capitalist economy, studied everything that had been written

¹ J. M. Keynes, *The General Theory of Employment, Interest and Money*, London, 1936, p. 33.—Ed.

on political economy before him. Moreover, Marx's economic researches were preceded and attended by a deep study of law, philosophy, history and a number of other sciences.

Lenin also considered that a serious study of political economy required a preliminary knowledge of many scientific facts. "Political economy," he said, "cannot be studied carelessly, *mir nichts dir nichts*, without any previous knowledge, and without making the acquaintance of very many and very important problems in history, statistics, etc."¹

Only an epigon for whom "the raw material, on which he works, is already not reality itself, but the new theoretical form, into which the teacher has transformed it, through sublimation",² is able to ignore objective reality, the practical economic activity of society.

"Where speculation ends—in real life—there real, positive science begins: the representation of the practical activity, of the practical process of development of men."³

The accumulation of relevant facts represents a stage of cognition that differs from unmediated, direct perception of reality—from ordinary, even though detailed, description. To accumulate facts it is essential to determine the questions in connection with which they have to be accumulated. And this determination cannot be made at random: it is productive only if it follows the sequence of objective reality itself. Therefore, the material thus ordered should be so arranged as to make it possible to discover the main link by grasping which one can bring forth the whole chain of questions pertaining to the economic life of society. In short, it is necessary to rise to the level of scientific cognition. Scientific cognition is a more complex thought process than reasoning at the level of common sense. Lenin noted that scientific thinking is "the process of a series of abstractions, the formation and development of concepts, laws, etc."⁴

¹ V. I. Lenin, *Collected Works*, Vol. 4, Moscow, p. 50.—Ed.

² K. Marx and F. Engels, *Collected Works*, Russ. ed., Vol. 26, Part 3, p. 82.—Ed.

³ K. Marx and F. Engels, *The German Ideology*, Moscow, 1964, p. 38.—Ed.

⁴ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 182.—Ed.

Scientific abstraction

The general concepts formed by people in their minds, i.e., those that do not mirror the unmediated concrete aspects of the phenomenon under study, but reflect its main characteristic content, are called *scientific abstractions*. Therefore, it is not consciousness but objective reality that forms the basis for scientific abstraction. The process of abstraction is not one of casual generalisation from some of the aspects of the phenomenon of study that consciousness singles out at random, but is systematic step-by-step detachment from the non-essential in the phenomenon—made in order to discover the true basis of the phenomenon's multiformity, and of all its connections and mediations.

Abstract concepts mirror objective reality not in the way this is done by living perception, not in an immediate or direct manner. This is because the abstracting activity of the mind proceeds as a "complex, split into two, zigzag-like" (Lenin) process of detachment from the concrete specific features of the phenomena we observe. Elaborating abstract concepts, the mind arrives at generalised logical definitions of reality. Thus, facing the enormous variety of things produced by people, abstract thought detaches itself from this multitude (and, hence, also from the diversity of the concrete labour that produces it) and works out a generalised logical definition of the product as an embodiment of past social labour in general. But this does not make the abstract concept an invention divorced from reality.

Though in a detached form, an abstraction reflects the content inherent in things and relations, which is not evinced directly, outwardly, by the phenomenon. For example, outwardly, economic life (in socialist society too) does not indicate that there is such a thing as "value" as distinct from "use-value", or abstract labour, creating value as distinct from concrete labour. Yet, value is inseparable from the commodity, although it cannot contain even an atom of matter. Value is no fiction, no figment of imagination, but a reality inherent in the commodity. Value is an objective reality that cannot be seen directly on the surface of commodities, but is a general property manifesting itself in the real relations encountered by everybody in their everyday practical life.

In the process of abstraction, thought does not detach itself from reality, but permeates it, proceeding from the manifestation to the essence. At the same time an abstract definition given by science does not and cannot embrace the phenomenon as a whole. Abstractions are "limited to ... the most common and the simplest"¹ aspects of the phenomenon.

No single abstract concept is able to give an exhaustive description even of simple phenomena: for while cognition follows the object being cognised, the latter is always changing. The object of cognition develops, and so does cognition, approaching the developing object as closely as possible but never exhausting it. This feature of the cognition of reality has been vividly expressed by Engels, who said that "the concept of a thing and its reality, run side by side like two asymptotes, always approaching each other yet never meeting".²

It is on this feature of cognition as an endless process of the approximation of thinking to the content of the developing object, that, inter alia, the inexhaustibility of scientific research is based, and the revelation of ever new features even in things and relations already investigated. Thus, it might seem that the concept "commodity" had been exhausted by Marxist-Leninist economic science. But in socialist conditions it became necessary to look into the essence of this phenomenon anew. It has changed and continues to change all the time. At the very beginning of socialist economic management, Lenin noted that the products of socialist enterprises being exchanged for the output even of individual peasant households "are not commodities in the politico-economic sense of the word; at any rate, they are not only commodities, they are no longer commodities, they are ceasing to be commodities".³

However, abstract thought may side-track a person away from the true cognition of reality. It can even turn the relations between consciousness and being upside down, and make consciousness appear as the substance of being. This is the way of idealism, no matter whether it calls itself "subjective" or "objective".

¹ F. Engels, *Anti-Dühring*, Moscow, 1962, p. 117.—Ed.

² K. Marx and F. Engels, *Selected Correspondence*, Moscow, 1965, p. 482.—Ed.

³ V. I. Lenin, *Collected Works*, Vol. 32, Moscow, p. 384.—Ed.

The possibility of a divorce of abstract concepts from reality is inherent in abstract thinking itself, in the specific, complex cognition of reality by the human mind, since the reflection of reality in abstract concepts is neither simple nor direct.

"The approach of the (human) mind to a particular thing, the taking of a copy (= a concept) of it is *not* a simple, immediate act, a dead mirroring, but one which is complex, split into two, zigzag-like, which *includes in it* the possibility of the flight of fantasy from life; more than that: the possibility of the *transformation* (moreover, an unnoticeable transformation, of which man is unaware) of the abstract concept, idea, into a *fantasy* (in letzter Instanz = God). For even in the simplest generalisation, in the most elementary general idea ("table" in general), *there is* a certain bit of *fantasy*. (Vice versa: it would be stupid to deny the role of fantasy, even in the strictest science: cf. Pisarev¹ on useful dreaming, as an impulse to work, and on empty day-dreaming.)"²

But by detaching itself from reality, abstract thought creates empty, useless "generalisations" depending only on reason. We could embrace the whole universe with such abstractions.

The detachment of thought from reality is inevitable whenever a phenomenon is not studied in its development, in its multiformity, and whenever the connections and mediations typical of it are ignored. The detachment of thought from reality is inevitable when complex, multiform, zigzag-like, "spiral" cognition is transformed into isolated, one-sided, rectilinear, cognition that confines itself only to fragments and segments of phenomena. When Lenin described the path followed by the human mind in the cognition of reality as a spiral, he also brought to light the objective basis upon which the idealistic distortion of reality rests: "Human knowledge is not (or does not follow) a straight line, but a curve, which endlessly approximates a series of circles, a spiral. Any fragment, segment, section of this curve can be transformed (transformed

¹ D. I. Pisarev (1840-1868)—an eminent Russian literary critic and publicist of the 1860s, who championed the ideas of revolutionary democracy against the autocratic system of serfdom and tsarism; a follower of materialist traditions in Russian philosophy.—Ed.

² V. I. Lenin, *Collected Works*, Vol. 38, Moscow, pp. 372-73.—Ed.

one-sidedly) into an independent, complete, straight line, which then (if one does not see the wood for the trees) leads into the quagmire, into clerical obscurantism (where it is *anchored* by the class interests of the ruling classes)."¹

In political economy the detachment of abstract concepts from reality is, in effect, the random choice of separate aspects of the economic life of society (especially of quantitative phenomena) and the reduction of political economy to a science studying only commodity distribution or even only commodity exchange and, in the final analysis, the dissociation of research from its object. This produces notions which have nothing in common with the true development of genuine economic relations, and which ignore their real, vital connections.

Criticising Proudhon for such a detachment from reality, Karl Marx wrote: "But the moment we cease to pursue the historical movement of production relations, of which the categories are but the theoretical expression, the moment we want to see in these categories no more than ideas, spontaneous thoughts, independent of real relations, we are forced to attribute the origin of these thoughts to the movement of pure reason."²

The time when the Marxist contribution to political economy, to research on its fundamental questions, was consciously or unconsciously ignored, has long since passed. Modern bourgeois economists, who have placed abstractions isolated from life at the service of capital, consider it their main task to justify theoretically capitalism's further existence and to defend this outmoded economic system against communism. "The economy is our fate," Alfred Amonn said. "And the political threat to the West posed by communism also has its roots in the economic situation."³

This does not mean that the forms in which the further existence and the defence of capitalism are justified exclude a "criticism" of capitalism. Many bourgeois economists uncover some of its ills in order to draw the attention of

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 363.—Ed.

² K. Marx, *The Poverty of Philosophy*, Moscow, 1966, pp. 91-92.—Ed.

³ A. Amonn, *Die klassische und die moderne Nationalökonomie*, Bern, 1949, S. 21.—Ed.

the bourgeoisie to them and to offer them some fashionable recipe as a remedy.

Bourgeois economic scientists have begun to investigate critically such acute questions of modern capitalism as the relations between private and common interests, the inequality of wealth, the impoverishment of the working people, unemployment, crises, and the place and significance in society of monopolies. Naturally they answer all these questions in accordance with the common interests of the capitalists. Mostly, they make reassuring statements to the effect that modern capitalist conditions allow of a mitigation of the inequality of wealth, an elimination of crises, an achievement of full employment, a planning of capitalist economy in the general national interest and so on—even though all such affirmations are disproved by the facts. The intervention of the bourgeois state in the economy is pictured as a cure-all for all the ills and diseases of capitalism, as the main means of translating these “rosy possibilities” into practice.

Such “scholars” deliberately keep to the “rectilinear” path of cognition, depart from reality under cover of an imaginary objectivity and thus create sterile, empty, meaningless abstractions. Such, for example, is Joseph A. Schumpeter’s abstraction termed the “evaporation of property”, based on the fact that joint-stock capital is the dominating form of capital in modern society. There is also an abstraction widespread in bourgeois literature about the “evaporation” of the working class. Such “science” even builds on such trivia as the fact that workers may wear clothes which differ in no essential way from those worn by the modern bourgeoisie. This kind of “scientific” abstraction does not promote the genuine understanding of reality but obscures it. That is why such abstractions are in fact unscientific and sterile.

The truth or fallacy of abstract concepts is tested by practice, about which we shall speak at greater length later. But the correctness with which abstractions are deduced depends on the logical power of abstract reasoning, on its level of development, on the skill with which men derive general concepts in their study of objective reality. Man’s powers of abstract reasoning develop together with the development of society. Even though society has a collective mind, it consists of the minds of individuals.

Every person thinks for himself, but he enriches his thoughts with those of other people and in his turn enriches other human thought.

Abstract, scientific thinking is not an inborn ability. It is educated in people as they develop, as they strive to understand their practical activities, as they seek to grasp the essence of the phenomena they study, and hence as they assimilate the knowledge amassed by humanity. For this reason the extent to which a person is able to reason scientifically depends (with due account for the attained level of social development) on the *education* of this ability. Commenting on this feature of scientific reasoning, Engels noted that "the art of working with concepts is not inborn and also is not given with ordinary everyday consciousness but requires real thought, and . . . this thought similarly has a long empirical history, not more and not less than empirical natural science".¹

For ages mankind has step by step developed an approach to the study of reality that can stand the test of practice, i.e., the rules of scientific reasoning; the skill of deducing abstractions without losing touch with reality; definite methods and means of research, enabling men to penetrate into phenomena and to reveal their essence. As a result of this lengthy process of development and improvement of the methods and forms of theoretical cognition, and their philosophical comprehension, man has attained the highest stage of scientific abstract reasoning—the dialectical materialist method of the cognition of objective reality. This living, essentially revolutionary, constantly developing method is used by Marxist-Leninist political economy, in order to ensure the most correct possible reflection of the essence of phenomena that concern it in the abstractions it deduces.

Materialist dialectics—the scientific method of political economy

Putting to use the sum total of all concepts, all ways and means of cognising reality as it is, the cognition of reality in its historical development—this and this alone constitutes the *scientific method of cognition*.

¹ F. Engels, *Anti-Dühring*, Moscow, 1962, pp. 21-22.—Ed.

Before Karl Marx, the metaphysical method dominated in economic research and in political economy. All sciences in general began with metaphysics.

"As long as people did not know how to set about studying the facts, they always invented a priori general theories, which were always sterile."¹

Metaphysics regards phenomena as immutable and disconnected, as moving only under the action of external forces. It investigates only the most striking properties of an object and considers its different aspects either separately or in superficial, accidental connection. Research (with such an approach) began, as Karl Marx noted, with something actual and living, let us say, "the population", and ended with the singling out of some essentially abstract and general concepts such as the division of labour, money, value, etc. In pre-Marxian days, political economy, like mathematics, was regarded as an abstract science of general application, in which, to quote Marx, "the full notion evaporates to become an abstract definition".²

In its researches, political economy proceeded from the concrete, apprehended by the senses, to the abstract. It recorded the abstractions it drew and created the logical prerequisites for a transition to a kind of research that moved from the simplest abstractions to the wealth of concrete life. Economy, having reached the stage of the domination of industrial capital, could be studied scientifically only by means of the mental reproduction of concrete economic life as a whole. But owing to the shortcomings of the metaphysical method (and even those of Hegelian dialectics that had already become apparent by that time) the economic theoretical systems of that time again led to "eternal" abstractions, supposed to be suitable for all times and all peoples, to idealist speculations, leading away from reality and hence falsifying it.

All the positive results that economic research of the kind that lead from the concrete to the abstract could furnish, as also those of the kind that moved from the abstract to the concrete but without employing materialist dialectics, had already been achieved in the works of

¹ V. I. Lenin, *Collected Works*, Vol. 1, Moscow, p. 144.—Ed.

² Karl Marx, *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf) 1857-1858*, Moskau, 1939, S. 22.—Ed.

the classics of bourgeois political economy. The further development of the science had become incompatible with its metaphysical methodological basis. It was essential to scrap the metaphysical approach and to work out a new method, corresponding to the true nature of economic relations.

Of all the available logical material, Hegel's dialectics was the only thing which could in one way or another be used to elaborate a new method of political economy. Even though it was idealist and attempts to use it in economic science (in its purely Hegelian form) again side-tracked economists from the objective cognition of economic reality, yet it was Hegel's dialectical logic that contained the rational kernel that alone could serve as the guiding principle in the study of the actual processes of economic life. But to extract the rational kernel, Hegel's dialectics had to be divested of its idealist shell, had to be freed of the domination of the "absolute idea", and placed on a sound materialist foundation. This was done by Karl Marx.

Evaluating the great importance of the new method of political economy worked out by Karl Marx, Frederick Engels wrote: "Marx was, and is, the only one who could undertake the work of extracting from the Hegelian logic the kernel which comprises Hegel's real discoveries in this sphere, and to reconstruct the dialectical method, divested of its idealist trappings, in the simple shape in which it becomes the only true form of development of thought. The working out of the method which forms the foundation of Marx's criticism of political economy we consider a result of hardly less importance than the basic materialist outlook itself."¹

The scientific method of political economy worked out by Karl Marx is the *method of materialist dialectics*. It is the direct opposite of Hegel's method even though it is based on a critical adaptation of it.

"My dialectic method is not only different from the Hegelian, but is its direct opposite", wrote Marx, saying that he, as distinct from bourgeois theorists, who looked down on Hegel as a "dead dog", recognised him as his

¹ K. Marx and F. Engels, *Selected Works*, Vol. I, Moscow, 1962, p. 373.—Ed.

teacher. "To Hegel, the life-process of the human brain, *i.e.*, the process of thinking, which, under the name of 'the Idea', he even transforms into an independent subject, is the demiurgos of the real world, and the real world is only the external, phenomenal form of 'the Idea'. With me, on the contrary, the ideal is nothing else than the material world reflected by the human mind, and translated into forms of thought.... The mystification which dialectic suffers in Hegel's hands, by no means prevents him from being the first to present its general form of working in a comprehensive and conscious manner. With him it is standing on its head. It must be turned right side up again, if you would discover the rational kernel within the mystical shell."¹

The dialectical materialist method of approaching the subject of research is in the main characterised by the fact that every phenomenon under investigation both in nature and in society is apprehended essentially as it really is—as objective reality, existing irrespective of the consciousness and will of people, as a self-developing reality, with its sources of development inside and not outside it. These sources of self-development of a phenomenon are comprised in the spontaneous (*i.e.*, without outside influence) splitting of its unity opposites, in the interrelations of these opposites, in the emergence of a dialectical contradiction between them, and in their development ("struggle"), impelling the movement of the contradiction that leads eventually to its resolution.

The classics of Marxism-Leninism saw the *essence* of dialectics, and the key to the cognition of reality, in the unity and development ("struggle") of opposites as a source of self-movement.

"The condition for the knowledge of all processes of the world in their '*self-movement*', in their spontaneous development, in their real life, is the knowledge of them as a unity of opposites. Development is the struggle of opposites."²

This dialectical materialist approach to research is not a result of random philosophising. Reason has worked out such an approach only because it coincides with the dialectic-

¹ K. Marx, *Capital*, Vol. I, Moscow, 1965, pp. 19-20.—*Ed.*

² V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 360.—*Ed.*

tics of life. Dialectics is not the fruit of human reason translated into reality. Reason, in the process of its long development, revealed the dialectics of life in life itself, in everyday practice. We know that all figures of logic are in the final analysis a result of the practical activities of people, of their innumerable repetitions. The history of nature and society, and of the natural and social sciences have proved, and continue to prove, that dialectics is inherent in objective reality.

The dialectical materialist method of the cognition of economic life is not an external, alien appendage of the relations of production. *Dialectics is inherent in the subject-matter of political economy.* The economic life of society exists not in the imagination of people but in reality; it is an objective reality, independent of the will and consciousness of people, even though it is made up of the actions of conscious individuals. At the same time any economic phenomenon, being always a relation of at least two sides, is a unity of these sides or opposites. The sides are in one way or another related to each other, interact, dialectically contradict each other and develop ("struggle"), thus contributing to the self-movement or development of the economy.

The production relations in any society being a single, self-developing entity, consist of many sides with a wide diversity of connections, transitional forms and mediations. The economic activity of people is at one and the same time both subjective and objective. Economic actions are both singular and plural, incidental and not incidental, and every single action contains both the special and the general. Relations of production have an unmediated appearance and at the same time a content hidden behind that appearance.

To find in the economic phenomena being studied separate sides (opposites) in their unity and distinction, to find them in the chaotic diversity of things concrete and directly perceptible, to reveal their interaction and development ("struggle") and thus to cognise the economy as a developing whole (as a vast aggregate with a multitude of definitions and relations)—all this is the task of political economy. Only with the help of the dialectical materialist method of abstract thinking can the self-movement of economic life be revealed.

At the same time the scientific method contains also the methods and means of research consistent with the content of the subject of study, the methods and means through which reasoning enters into relation with the subject. In this sense method is the instrument of cognition. As G. V. Plekhanov vividly and aptly said, the scientific method is an "instrument for revealing truth".¹

However, the simple sum of the ways and means of research does not in itself comprise a method of scientific cognition, even though it is often called the "scientific method". The detachment of the ways and means of scientific research from dialectical thinking, and their a priori interpretation, result in an "instrumental" approach to the concept of "scientific method", with all its negative consequences, right up to and including the transition to subjective idealist positions.

The scientific method, as an organic aggregate of dialectical materialist principles and methods of research, is not the same for all sciences. Even though dialectical logic is a science of the general laws of correct reasoning and is used in all sciences, its concrete application, the concepts it forms (and concrete methods of research) cannot be identical for all the sciences because of differences in their subject-matter. "Every science," Lenin noted, "is applied logic."²

Concepts formulated through the application of dialectical logic in a given field and corresponding to a definite subject of study cannot be mechanically transplanted to another subject. The same applies to the methods of research used in different sciences. For example, could we approach mechanics with the methods used in chemistry? Of course not. To an even less degree can the concepts and methods of study applying to the natural sciences be used for the study of social phenomena, which, unlike nature, involve the interaction of people possessing the attribute of consciousness.

The history of political economy knows, for example, of attempts to express economic relations in terms of units

¹ G. V. Plekhanov, *Collected Works*, Russ. ed., Vol. XVIII, p. 3. G. V. Plekhanov (1856-1918)—a well-known member of the Russian and international socialist movements, an eminent philosopher and propagandist of Marxism.—*Ed.*

² V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 201.—*Ed.*

used to measure the expenditure of power. Thus, S. A. Podolinsky¹ attempted in his time, with the best of intentions, to express labour as an economic concept in terms of power expenditure. "In my opinion," Engels wrote aptly in this connection, "it is impossible to express economic relations in physical units."²

Physical or mechanical devices, chemical reactions and so on cannot help us to penetrate into the *essence* of relations of production. These relations cannot be observed through the lens of the most powerful microscopes, cannot be enclosed in a particle accelerator, poured into a test tube and subjected to the actions of chemical agents, nor to the action of mechanical forces. Even a method so widespread in the natural sciences as experimentation can be used in political economic research only to a very limited extent—in some concrete questions of production organisation, for example, in branch economics, and in some special tasks of great economic importance without which many projects would remain economically unfounded. This is so because it is impossible artificially to create and recreate at the will of researchers experimental "pockets" of different types of relations of ownership of the means of production, with all the economic consequences these have for men. Even in a socialist country, it is impossible to create an isolated region of full communism, let alone create one of presocialist economic relations.

The only means of a political economic cognition of production relations is dialectical abstract thinking, with the logical methods governing it. All the specific means of research used in the natural sciences are replaced in political economy by the power of abstraction, no matter whether that research is connected directly only with dialectical logic or with mathematical formulae combined with dialectical logic.

The principal means of dialectical abstraction are the inseparable processes of *analysis* and *synthesis*.

¹ S. A. Podolinsky (1850-1891)—a Ukrainian socialist who studied the problems of the Ukrainian labour movement.—*Ed.*

² *Der Briefwechsel zwischen Friedrich Engels und Karl Marx*, Bd. 4, Stuttgart, 1919, S. 501.—*Ed.*

Analysis and Synthesis

The character of dialectical abstract thinking was particularly deeply revealed by Hegel. True, he expressed dialectical logic in an idealist form, but its materialist basis showed clearly through.

"The philosophical method is both analytical and synthetical, but not in the sense of a bare juxtaposition or a mere alternation of these two methods of finite cognition, but rather in such a way that it holds them transcended in itself, and **in every one of its movements, therefore, it proves itself simultaneously analytical and synthetical. Philosophical thought proceeds analytically, insofar as it only accepts its object, the Idea, allows the latter its own way and, as it were, only looks on at its movement and development.**"¹

Lenin, underlining the words "in every one of its movements", and drawing two vertical lines on the margin where the words printed in italics appear, wrote in the first case "très bien", and in the second—"very good! (and graphic)".

But what is the essence of each of the two inseparable parts of this logical method of cognition?

Analysis, proceeding from the concrete to the abstract, mentally divides the subject of study into its constituent elements, sides and "layers". Synthesis, proceeding from the abstract to the concrete, combines the interrelated elements, creates the whole from the parts, and investigates the phenomenon of study in its integrity and unity.

Analysis breaks down the phenomenon of study (for example, capitalist economy) into its components, i.e., the sides of the relations (into capitalist ownership of the means of production and wage labour). First of all it studies every side separately, on its own (the essence of capitalist property, the basic economic interest of the capitalists, etc., on the one hand; the nature of wage labour, the basic economic interests of the workers, etc., on the other). After that the sides are studied in their interrelation, and the place and significance of each is established, i.e., which is the "leading" and which the "led" (the relation of the

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, 1963, p. 237. Author's italics.—Ed.

exploitation of wage labour by capitalists, its forms, its results for each of the sides, the social nature of production, the leading significance of the social nature of production, and of the working class, etc.).

Analysis reveals the dialectical contradictions between the opposing sides of the phenomenon of study. Analysis also reveals the methods of solving the contradictions. "As we are not considering here an abstract process of thought ... but a real process which actually took place at some particular time or is still taking place, these contradictions, too, will have developed in practice and will probably have found their solution. We shall trace the nature of this solution, and shall discover that it has been brought about by the establishment of a new relation whose two opposite sides we shall now have to develop, and so on."¹

The relation between the sides of capitalist economy (the relation of the exploitation of wage labour by the owners of the means of production) cannot be other than that of antagonistic contradiction. In the development of the relations of exploitation the main contradiction of capitalism—between the social character of production and private appropriation—grows ever more acute. In the development of this contradiction the leading role belongs to the working class, which resolves it by a revolution, bringing the mode of appropriation into conformity with the social character of production.

It is, however, not only or simply a question of abolishing one side. The question concerns the solution of the contradiction through the emergence of a new contradictory relation. Marx cautioned: "The very setting of the problem of eliminating the bad side cuts short the dialectical movement."²

Yet even today some theoreticians speaking on behalf of Marxism understand the outcome of the development of a phenomenon as the elimination of its bad side with the preservation of its good side. For example, we cannot agree with the idea that the task of solving dialectical contradictions in society can be reduced to the transformation, wherever possible, of negative facts into positive ones,

¹ K. Marx and F. Engels, *Selected Works*, Vol. I, Moscow, 1962, p. 374.—Ed.

² K. Marx, *The Poverty of Philosophy*, Moscow, 1966, p. 98.—Ed.

that in society there proceeds an eternal struggle of the correct against the false, as a result of which the false is cast overboard, while the correct remains.

It is difficult to argue against such reasoning, if it is to be regarded only as an expression of "common sense". Of course, it is better to deal with positive facts than with negative ones, all that is false should be cast aside and all that is correct should be preserved, etc. But the trouble is that these theoreticians regard such maxims as relating to the philosophical analysis of *dialectical* contradictions, but in this field plain common sense is insufficient.

In dialectics we have to do with contradictions constituting the internal source of the self-movement and development of integral objects and phenomena.

The contradiction determining the dialectical development of a phenomenon is the contradiction between the opposing sides of its innermost essence. This chief contradiction develops a multitude of other contradictions, which have a derivative character but which are connected with the chief contradiction directly or through a number of intermediate links. The solution of the contradiction in the essence of the phenomenon involves a deep rearrangement of the whole system of the derivative contradictions dependent on it. At the same time the derivative, or secondary contradictions, being determined by the chief contradiction, have a relative independence within the framework of the developing phenomenon and exert an influence on the rate and nature at which the main contradiction develops; in short, they modify this development. As distinct from the contradiction of the *essence* of the phenomenon, these secondary contradictions are contradictions of *existence*. Thus, the dialectic development of a phenomenon is a complex process bringing about a profound rearrangement of all essential and secondary connections, a radical change of its essence and forms of existence. Naturally, not all the properties of a phenomenon (and the opposites corresponding to them) contribute to its internal dialectical contradiction. For example, the commodity has an innumerable number of properties, and it is precisely the task of economic research to select from that multitude those properties whose interrelations form the internal self-movement of the commodity as the primary entity of capitalist production relations. But as soon as we succeed in revealing

the internal dialectical contradiction of a phenomenon there can no longer be any talk of destroying one of its sides and preserving the other without a radical rearrangement of the whole phenomenon. This applies to all processes and phenomena without exception.

The solution of the contradictions in the capitalist world through a revolutionary transformation of capitalism into socialism involves not simply an elimination of private appropriation but also a change in the social nature of production. New relations emerge between the members of a society which has fully socialised the means of production, and now uses them jointly and in a co-ordinated way in the common interest and, hence, in the personal interests of its members.

The bourgeoisie, like any other class heading for its doom, is afraid of a *genuine* scientific analysis of economic relations. Such an analysis reveals the transient nature of capitalism, shows the bourgeoisie its future, i.e., its inevitable demise, the substitution of the capitalist mode of production by the communist mode. That is why the bourgeoisie does not want its theoreticians to reveal objective truths, but wants them to construct "theories" that are profitable and useful to it, that justify capitalism in every way, gloss over its antagonistic contradictions and the resultant economic "ills" of that system. They expect these theories, on the one hand, to give practical recipes perpetuating the existence of capitalism, and on the other, directly or indirectly to discredit Marxism, which scientifically analyses the economic life of society, and shows that socialism must supersede capitalism. "And no other attitude is to be expected, for there can be no 'impartial' social science in a society based on class struggle."¹

Modern bourgeois economists, in the final analysis, follow their predecessors, the vulgar economists of the 19th century. To create the economic concepts needed by the capitalists they apply the method of subjective idealism in their economic research. This sterile flower has grown, to use Lenin's words, on the living tree of fruitful, true, powerful, almighty, objective, absolute human cognition.

The subjective idealists use the irrefutable fact that economic life is a complex intertwining of economic interrelations of men to draw the conclusion that the main

¹ V. I. Lenin, *Collected Works*, Vol. 19, Moscow, p. 23.—Ed.

economic unit is the individual, "economic man", with his desires and goals and the will to attain these goals. From this they draw the next conclusion, namely, that man's consciousness is the main foundation and prime cause of all of people's economic activity. Political economy, the West German economist A. Weber maintains, should attach special importance to the purposive acting cause.¹

And so, according to many bourgeois economists, the psychology of the individual is the key to all economic problems. "Psychology is really the basis from which any social science must start and in terms of which all fundamental explanation must run."²

Reducing everything to economic man, by which is meant the man owning the means of production, or in other words the capitalist (for only the owner of the means of production can manage economic activity), bourgeois economists at the same time never ask what causes the desires of people, what determines their will and their consciousness. They also ignore the causes giving rise to group or class interests and to their contradictions.

A really dialectical study of the interrelations between the sides of a whole, their causal interrelations and intertwining, indicating the solution to their contradiction, i.e. the creation of a new relation, a new unity of opposites—all this is often replaced by a merely mechanical confrontation of forces acting in opposite directions. These for a time maintain an equilibrium but under the influence of external forces their equilibrium is disturbed, is later naturally restored, is then disturbed again, restored again, and so on *ad infinitum*. This has come to be known as the *theory of equilibrium*.

In dialectics new relations mean new qualities. The mechanical restoration of equilibrium, however, involves no qualitative changes.

The "theory" of equilibrium is one of the most important methodological foundations of bourgeois political economy. All the views of the vulgar bourgeois economists of the 19th and 20th centuries are permeated with this theory, from J. B. Say to the American "theoretical school" of political economy currently headed by John Bates Clark.

¹ See A. Weber, *Allgemeine Volkswirtschaftslehre*, 1955, S. 23.—Ed.

² Joseph A. Schumpeter, *History of Economic Analysis*, London, 1955, p. 27.—Ed.

They have invented the theory of the "three factors of production", according to which the land, capital and labour are all supposed to create value; the theory of "marginal utility", according to which the relative rarity of a commodity is the basis determining its value, and the theory of the "harmony of class interests", according to which a "harmonious relation of co-operation" establishes itself spontaneously between the proletariat and the bourgeoisie.¹

These and many similar "theories" strive to prove what cannot be proved, i.e., that there is no exploitation of wage labour in capitalist society. They all put forward the idea that the functioning of private enterprise and the free market through the tried and tested mechanism of competition automatically re-establishes equilibrium when it is disturbed, i.e., that it helps to overcome all the difficulties of economic life in capitalist society.

Revisionists and dogmatists, following in the wake of bourgeois theoreticians, have taken up the "theory of equilibrium". In the final analysis the revisionists always follow one of the "modern" bourgeois theories.

In the U.S.S.R., A. Bogdanov,² and later N. Bukharin³ were the principal revisionists who attempted to replace the method of dialectical materialism by the method of the "theory of equilibrium". A. Bogdanov, drawing principally on the views of the 19th-century bourgeois philoso-

¹ Variants of this "theory" are modern bourgeois economists' assertions about so-called human relations in production, generally known as "paternalism", "fraternalism", etc. On this question see *Noviye formy ekspluatatsii i rabocheye dvizheniye* (New Forms of Exploitation and the Working-Class Movement)—a collection of material on the exchange of opinion held under the auspices of the journal *Problemy mira i sotsializma* and the Gramsci Institute of the Central Committee of the Italian Communist Party in October 1958, Sotsekgiz, 1960.—Ed.

² A. A. Bogdanov (1873-1923)—a Russian Social-Democrat, philosopher, economist, author of a series of theoretical treatises (best known among which are his *Short Course in Economic Science*, *Empirio-Monism*, *Tectology*). Bogdanov's philosophical works, containing a revision of Marxism from positions of Machism and vulgar materialism, were criticised by Lenin in his *Materialism and Empirio-Criticism*.—Ed.

³ N. I. Bukharin (1888-1938)—a well-known Soviet public figure between 1918 and 1930. He stood at the head of a faction advocating opportunist tendencies in the solution of political and economic questions of key importance to the Soviet republic. His economic and sociological writings were criticised by the Party as deviating from Marxism-Leninism.—Ed.

pher Herbert Spencer, attempted to replace dialectical materialism by tectology, or universal organisational science. According to Bogdanov, every phenomenon, consisting of parts, represents a balanced system in equilibrium. Each system is surrounded by other elements of nature, which are the environment of that system. Ambient nature is the environment of society.

Between the system and the environment, Bogdanov asserted, there exists an equilibrium, which he called a power balance. If society draws from nature as much power as it expends, the equilibrium between them is stable or stagnant. If, however, society draws from nature more power than it expends, a mobile equilibrium is established and, Bogdanov says, society develops; if, on the other hand, it draws less than it spends, society destroys itself. Hence, the relation between the environment and the system, according to Bogdanov, is the determinant also of the system's internal equilibrium. Since Bogdanov declares that social being and social consciousness are identical, since without consciousness there can be no intercourse, it is consciousness that organises society. This is effected through what he calls social selection, which should lead to an increase in the sum total activity of the system. Nothing new is ever created. All that ever happens is a regrouping of elements, while the movement as a whole proceeds from equilibrium to equilibrium.

The level of development of the organisation of social labour, by which the mechanicians understand any effort overcoming resistance, determines the social form. The social form, according to Bogdanov, is higher where the organisation of labour is higher, while in actual fact it is the other way round, the organisation of labour is higher where the social form is higher, i.e., where the relations of production are at a higher stage. In other words, Bogdanov substitutes the effect for the cause.

The sole task of political economy, these revisionists say, is to describe the conditions of the capitalist system's equilibrium. "The results of the study of the whole capitalist system," N. Bukharin wrote, "*in conditions of its equilibrium* is theoretical economy as a scientific system."

In spite of the convincing criticism by Lenin of Bukharin's *Economy of the Transition Period*, a criticism which once more proved that the "theory" of equilibrium con-

tradicts facts and Marxism, N. Bukharin continued to hold on to his subjective-idealist bourgeois theory, extending it to the study of socialist economy. In his *Notes of an Economist* (1928) he wrote that the task of planning must be built on schemes of reproduction which correspond to the conditions of a mobile economic equilibrium, which spontaneously establishes itself between the private-commodity producing and socialist sectors of the Soviet economy. Hence the refusal to carry out socialist industrialisation and the collectivisation of agriculture. Instead, a course of laissez-faire would be followed resulting in bottlenecks and other difficulties.

Marxism-Leninism and everyday practice have refuted this theory of the equilibrium of society's economic life. As far as the capitalist economic system goes, the idea is refuted not only by the facts of the cyclic development of that system, in the process of which the "equilibrium", if we are to use that term at all, emerges only at the very lowest point of the crisis, and even then only for a very short time. Nor is it only refuted by the uneven development of capitalism in its imperialist stage. History itself, and this is the most important point, has refuted the theory of the absolute and mobile equilibrium of the capitalist system by the emergence, as a result of revolution, of a new, non-capitalist world system, one free of the ulcers and diseases of capitalism—i.e., socialism, the triumph of which had long been theoretically predicted by Marxism.

Is the use of the concept of equilibrium in economic science legitimate at all? Nobody can deny that a state of equilibrium is inherent in some phenomena of objective reality. This is confirmed by everyday experience. Mechanics, for example, is built, essentially, on the idea of equilibrium between the elements of nature that it studies. Moreover, such equilibrium is always absolute, meaning that the state of equilibrium of an object can be disturbed only through the application of an external force. The duration of a movement is determined by that external force and ends in a new equilibrium. Hence, self-movement is excluded.

Do such states of equilibrium occur in economics? In the economic life of society there are states whose opposite sides *correspond* to each other. But even this cannot be regarded as an equilibrium of the sides. No external forces

are needed to disturb this correspondence. These forces exist within the phenomenon itself, for such a state is nothing but a definite manifestation of the property inherent in all objective reality (including the economy), namely, the unity and struggle (i.e., development) of opposites. Such a correspondence is a *sine qua non* of the self-movement of a phenomenon. But it is only a brief moment in that movement, one that is neither its beginning nor its end. Such a correspondence is relative, conditional, temporary and transitory, like every unity, coincidence, identity and equal action. The "disturbance" of it, i.e., the struggle of the sides, is absolute, as is all development. "The unity (coincidence, identity, equal action) of opposites is conditional, temporary, transitory, relative. The struggle of mutually exclusive opposites is absolute, just as development and motion are absolute."¹

Bourgeois theoreticians, dogmatists and revisionists set up the "theory" of equilibrium in opposition to dialectical materialism. This theory locks the door to the cognition of economic reality and of its spontaneous development; and, therefore, inevitably distorts reality. That is why it is wrong to transplant the term "equilibrium" to the social sciences, even though it is essential for a description of some fields of objective reality, for example, the field of mechanics.

Showing that such transplantation is illegitimate, Lenin specially pointed out that the use of this concept to characterise social relations is fraught with the danger of contradicting dialectical materialism. In his remarks on N. Bukharin's *Economy of the Transition Period*, Lenin wrote: "... Bukharin 'took the terms' 'in the sense' in which they are used by Comrade A. Bogdanov ... and did not think that the terms and their sense are 'rooted' in Bogdanov's *philosophy*, the philosophy of idealism and eclecticism. For this reason very often, too often, the author lapses into scholastic terms (agnostic, Hume-Kantian, according to their philosophical basis) that are contradictory to dialectical materialism (that is, to Marxism), into idealism ("logic", "point of view", etc., *without* being conscious of their derivation from *matter*, from objective reality), etc."²

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 360.—Ed.

² *XI Lenin'sky sbornik* (Lenin Miscellany XI), pp. 400-01, Moscow.—Ed.

Stressing the objectivity of terms, i.e., their correspondence to the phenomena they reflect, and the need to use for the description of every phenomenon a term strictly corresponding to it, Lenin remarked in another place in his notes that "would it not be more exact to speak of the 'need for a certain proportionality' than of the '*point of view* of the equilibrium'? It would be more exact, more accurate, for the first is objective, while the second opens the door to philosophical vacillations *away* from materialism and towards idealism."¹

Bourgeois theoreticians, dogmatists and revisionists take terms relating to the natural sciences and apply them illegitimately to the social sciences. At the same time, irrespective of the term, they take only a small "bit" of objective reality and absolutise it, extending it to all universal phenomena, including economic relations. Correspondingly they have transformed this "bit" of cognition, which they have chipped off from the monolith of the continuous, spiral-shaped dialectical materialist cognition of reality into an independent straight line of cognition, and have thereby inevitably alienated themselves from the former and thus distorted reality.

But even some bourgeois theoreticians have been forced to admit that the so-called theory of equilibrium of capitalism has failed miserably. After the First World War, the works of a number of bourgeois economists (notably Keynesians) denied that harmony of class interests is established spontaneously, automatically, and that the equilibrium of capitalism is static. On the contrary, they put the emphasis on economic and social difficulties and dangers.

After the Second World War, the collapse of the theory of "a sound, automatic equilibrium" became generally recognised in bourgeois political economy. "The faith in the spontaneous activity of the economic mechanisms and the possibility of an automatic restoration of the equilibrium has run dry, or at least become obscured"—stated Professor Schlepper at the French Economic Congress on the Reconstruction of National Economies in 1947. The old leaders of the economy have brought discredit on themselves.

¹ *XI Leninsky sbornik*, pp. 384-85.—Ed.

Attention became focused on the problem of the *changeability* of economic life in capitalist society. However, bourgeois economists could not advance beyond the so-called "dynamic" theory. Instead of the old postulate of a static, automatic re-establishment of equilibrium, they proposed evolutionary change in the economic life of society. But they also regarded change in economic life as a process depending on the relevant *policies* of the bourgeois state, and not as an objective process determined by internal forces of self-movement (i.e., the unity and struggle of opposites) leading to the ultimate destruction of capitalism. In other words, the new theory is no more than the old one in disguise, i.e., the subjective-idealist theory of equilibrium, the only difference being that instead of equilibrium establishing itself spontaneously and automatically, it is now to be achieved through the intervention of the bourgeois state in the country's economy. Thus, the theory of equilibrium was and still is one of the main methodological bases of bourgeois political economy, even though it has been camouflaged.

An analysis of a phenomenon reveals its various "layers" and their sequence. Each "layer" has its general, its essential properties and at the same time properties interconnected with and mutually conditioned by the general and essential properties of the other "layers" of the phenomenon. This is the basis for those general and essential properties which characterise the phenomenon as a whole.

Let us take as an example such a phenomenon of commodity economy as the fluctuation of commodity prices. The abstracting activity of the mind notes first of all the dependence of price fluctuations on supply and demand. Analysing the influence of these two factors on prices, reason discovers that prices also change when these two factors remain stable. Penetrating deeper into the phenomenon the analysis further discovers that the principal reason for changes of prices is change of value, i.e., of the average socially necessary labour time spent on the production of each commodity participating in the exchange. This change affects now one, now the other, now both the commodities being exchanged.

Thus, in the above example, actual supply and demand is the general, essential property of the first "layer" of the relations being studied, and the size of the value is the

essential property of the second "layer". The movement of value is the essential property of the phenomenon as a whole.

The analytical method of research leads to the elucidation of what is general and universal in the total body of facts, relevant to the subject of study, what may appear to be unrelated to the subject of study but is in fact of the greatest importance to it.

From the logical point of view this is the most important feature of analysis. The analytical method of research was also characteristic of bourgeois classical political economy when it was still scientific. "Classical political economy," Marx wrote, "attempts by means of analysis to reduce different forms of wealth, fixed and alien to each other, to their internal unity and to disrobe them of the form in which they indifferently stand next to each other; it wants to understand the inner connection of the whole as distinct from the multitude of the forms of its manifestation."¹ Thus, Adam Smith and David Ricardo reduce to a single form of profit all seemingly independent forms of income, in which people who are not engaged in productive labour receive a share of the commodity's value. Since the value of a commodity consists of the labour expended on its production, profit is the surplus labour that is appropriated free of charge.

However, analysis pursuing the sole aim of finding the general and universal in a particular body of facts will result only in a reduction of the concrete multiformity of the relations being studied to the most elementary abstract general concepts. Such concepts do not give a direct idea of the whole complex system of causal interconnections existing within a phenomenon—from which the analyser abstracts himself in the process of resolving the whole into its components. Therefore, at a certain stage of research, a one-sided analytical approach leads unavoidably to internal contradictions in theory, to the impossibility of explaining the whole wealth of the phenomena of empirical reality on the basis of their cognised internal essence.

The classics of political economy encountered such contradictions. David Ricardo, who set himself the aim of

¹ K. Marx and F. Engels, *Collected Works*, Russ. ed., Vol. 26, Part 3, p. 525.—Ed.

explaining all developed relations of capitalist economy on the basis of the law of value, consistently attempted to reduce all the relations he investigated to the operation of this law. However, he soon discovered that many of them not only refused to conform to this pattern but even directly contradicted the law of value. He was unable to explain why capitalists receive equally high profits in industries in which no value is added to the product of labour, why commodities are sold not at value, but at the price of production, etc.

Dialectical analysis presupposes from the very outset the need for a dissection of the phenomenon into its component parts, and a constant awareness of the *subsequent* need to explain theoretically all the particular features of the phenomenon from which the analysis, in search of general features, has abstracted itself. In the dialectical sense, an analysis is not only an endeavour aimed at discovering the general properties of a phenomenon, but at revealing the *decisive* moments in its historical development, at discovering those specific features that have changed the phenomenon as a whole, that are responsible for its *transition, on the basis of the unfolding of its internal contradictions, to a qualitatively new stage of development*. Therefore, dialectical analysis presupposes a study also of transitional connections, linked by the general essence of the relations under examination and by the wealth of forms constituting the phenomenon of direct observation. Only as a result of such an analysis are we able to derive general abstractions useful for a *synthetic* reproduction in theory of the whole of the phenomenon of study.

Dialectical analysis thus grows into synthesis, for it leads up directly to the resolution of contradictions, which is the content of the synthetic method of research. "To find complete truth, the idea, in all its fullness, the synthetic formula that is to annihilate the contradiction, this is the problem of social genius."¹

Synthesis, proceeding from the abstract to the concrete, reveals the latter as a large aggregate with a multitude of definitions and relations. It proceeds stepwise, from cause to cause. For its initial cause synthesis takes the simplest relation revealed by the analytic investigation of the phe-

¹ K. Marx, *The Poverty of Philosophy*, Moscow, 1966, p. 102.—Ed.

nomenon. For example, analysis revealed surplus value to be the simplest relation of capitalist production. On this basis the investigation, using the synthetic method, ascends to the cognition of the concept of profit (visible on the surface of economic life) and then on the basis of this to the cognition of trading profits, interest, dividend and rent—which before seemed entirely disconnected phenomena. Synthesis reveals them in their unity and difference, in their in-depth consecutive causal connection.

Bourgeois economists strive to exclude the synthetic method of investigation, to bar from economic science the revelation of genuine causal relationships, of the dialectical contradictions inherent in reality. They speak a lot about “causality”, but substitute the subjective motives of people for the objectivity of true causes. They are not interested in the real causes that move people to definite actions, at definite times and in definite places, but only in people’s ability to *choose* in the process of market exchange, to which they reduce the whole economic life of individuals. In doing this the subjective motives of people’s behaviour are not deduced from their objective basis but are regarded as inexplicable phenomena.¹

Many bourgeois economists, for example Othmar Spann, often aver that there are not and cannot be causal connections in the economy. According to Othmar Spann, economic phenomena are connected only by the relations of “before” and “after”.² Thus synthesis is replaced by eclecticism, for “before and after” make it possible to connect elements having no common related properties, without which objective causal relationships cannot exist. All this frees research of both the synthesis and the analysis of reality in its real motion and real connections.

Synthesis completes the revelation of the essence of phenomena. If analysis reveals what is essential in a phenomenon, what determines it, “is firmly seated” in it, synthesis shows that the surface of a phenomenon with all its coincidences and appearances is also an inevitable expression of its essence. Lenin expressed this in the follow-

¹ See, for example, A. Weber, *Allgemeine Volkswirtschaftslehre*, 1955, S. 23; F. Bollbe, “On Methodology in Economics”, *On Freedom and Free Enterprise, Essays in Honour of Ludwig von Mises*, T.U.V., London, 1956, pp. 128-34.—Ed.

² O. Spann, *Fundament der Volkswirtschaftslehre*, 1926.—Ed.

ing words: "Etwa: the movement of a river—the foam above and the deep currents below. *But even the foam* is an expression of essence!"¹

Profiteering is, figuratively speaking, the "foam" on the surface of the deep currents of capitalist economy. But profiteering in one way or another also expresses the essence of capitalism, which is the production of surplus value through the exploitation of wage labour and its distribution in keeping with the power and deftness of the capitalists. Profiteering can be shown to be such only by synthesis.

As we have said, analysis and synthesis are not a sum of two methods of research; they are an organic unity of two aspects of an identical process of scientific cognition of reality. "Thought consists just as much in the dissection of objects of consciousness into their elements as in the assembly of related elements into an entity. Without analysis," said Engels, "there is no synthesis."² Analysis is the basis of synthesis. Without synthesis there can be no complete study of the essence of phenomena. An incomplete study of the essence of phenomena makes it impossible to apply scientific findings to their full practical advantage.

It is only this twofold unity—the analytico-synthetic process of the cognition of reality—that reveals the unity of the multiformity, identity and difference characteristic of the phenomenon of study. Only in this process of cognition does it become possible to ascend from the phenomenon's separate simplest essential elements to the essence of the phenomenon as a whole.

The essence of a phenomenon is contained not only in the simple elements, generalised in concepts, abstracted from the multiformity and specific features of the phenomenon. It embodies in an abstract form (transcended in itself, as Hegel terms it) specific features of the phenomenon as a whole. It is embodied in the self-development of the phenomenon, in its causal connections and mediations, in the unity and struggle of its opposites. The task of cognition is to reveal this rich essence in objective reality. That is why abstract notions worked out by the analytico-synthetic method of scientific dialectical reasoning reveal

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 130.—Ed.

² K. Marx and F. Engels, *Collected Works*, Russ. ed., Vol. 20, p. 41.—Ed.

reality more deeply and more accurately than ordinary perception. Without an analytico-synthetic cognition of the essence of phenomena, all cognition is superficial, incomplete, and fails to meet practical needs. Abstract thought, using *simultaneously* analysis and synthesis, reveals the essence and puts it at the service of practice. In the process of cognition analysis and synthesis coalesce, supplementing and enriching each other.

Some economists, when explaining the method of Marxist-Leninist political economy, claim that the whole method boils down to the method of abstraction and that the correct path for research is simply the path from the abstract to the concrete. But this is inaccurate, since it does not bring out the unity of the analytico-synthetic method in the process of cognition.

To substantiate their understanding of the method of Marxist-Leninist political economy these economists generally refer to Marx's *Critique of Political Economy*, in which he explained his method for the first time. But these references are not well-founded. In this work Marx explains not the isolated method of ascending from the abstract to the concrete, but the dialectical-materialist method as a whole. This method proceeds both from the concrete to the abstract and back from the abstract to the concrete, as a single united process. Marx points out that only the concrete "is the real starting-point and, hence, also the starting-point of perception and conception".¹ But the path from the concrete to the abstract, Marx stresses, does not complete but only begins political economic research.

Before Karl Marx, political economy generally confined itself to the elaboration of abstractions. This one-sidedness was its principal shortcoming. For the main thing is to "work back" from the abstractions we have made to the concrete. Once the abstractions of real relations have been obtained, it is necessary to proceed back to the concrete—now, however, not to the chaotic whole, Marx said, but to the rich aggregate with its multitude of definitions and relationships, thus completing the revelation of the essence of real economic phenomena, which are independent of the consciousness of people.

¹ K. Marx and F. Engels, *Collected Works*, Russ. ed., Vol. 12, p. 727.—Ed.

It is in this respect that the dialectical materialist method differs both from metaphysics and from Hegelian idealist speculation, which regards reality "as a result of reasoning, which concentrates in itself, penetrates into itself, and begins its development from within itself..."¹

That is why in his *Critique of Political Economy* Marx placed so much emphasis on the movement of thought from the abstract to the concrete. Marx could not and did not isolate the method of ascension from the abstract to the concrete, from the method of descent from the concrete to the abstract. The organic unity of the two ways is particularly apparent in *Capital*. In the fourth volume (*Theories of Surplus Value*), which is really a preface to the whole work, Marx deals in some detail with the movement of thought from the concrete to the abstract.

If the above-mentioned economists were right, then conceptions developed in preceding economic systems could have served as initial abstractions of Marxist political economy in unchanged form. However, these abstractions could not in fact be used for building up an economic theory on the basis of the method of movement from the abstract to the concrete. Marx had to undertake a Herculean task to reveal the initial abstract economic relations on which the development of all the contradictions of the capitalist system is founded. Suffice it to compare the concept "labour in general" of the classics of political economy with Marx's concept "abstract labour" to understand the fundamental distinction of Marx's approach to the elaboration of initial theoretical abstractions.

Quantity and quality

In the process of cognising economic phenomena we first of all encounter their *quantitative* aspect. Obviously, *statistical* methods of research are essential in this respect. Logical conclusions or generalisations cannot be made without first ensuring that the phenomenon being studied is a mass phenomenon, i.e., is typical. When studying quantitative processes typical of relations of production, political economy naturally has to use and does use *mathematical* techniques.

¹ Ibid., p. 727.

Statistical methods and mathematical techniques have been used in political economy for the study of economic processes for a long time. There has never been a single work on political economy which in one way or another did not use statistics. In the middle of the 19th century attempts were made to process economic data mathematically. M. Kovalevsky,¹ the well-known Russian scholar, who was on friendly terms with Marx, notes in his memoirs that Marx, in order to be able to adopt an objective attitude to the then newly emerging mathematical trends in political economy, specially renewed his study of the differential and integral calculus.²

Marx's conviction that the use of mathematics in political economic research is necessary and, given certain conditions, is possible, is substantiated in particular in his letter to Frederick Engels of May 31, 1873 in which he writes: "... You know, the tables in which prices, the discount rate, etc., etc., are shown in their movement throughout the year, etc., in the form of ascending and descending zigzag-shaped lines. I have repeatedly tried—to analyse crises—to compute these ups and downs as irregular curves and thought (and still think that with *sufficiently sorted-out material* this is possible) mathematically to deduce from them the main laws of crises. Moore (Samuel Moore, Marx's friend—A.R.), as I already told you, considers this task *as yet impossible*, and I have decided to abstain from it *for the time being*."³

Kovalevsky's remarks given above and Marx's letter coincide with the reminiscences of Paul Lafargue, who was very close to Marx. Speaking of Marx's predilection for mathematics, Lafargue wrote that Marx generally believed that a science *attains perfection* only when it succeeds in using mathematics.⁴

These reminiscences, and especially Marx's letter, demonstrate not only that mathematics are not alien to Marxist political economy, but indeed (a thing many are

¹ M. M. Kovalevsky (1851-1916)—a Russian scholar and bourgeois liberal.—Ed.

² See *Reminiscences of Marx and Engels*, Moscow, 1956, p. 297.—Ed.

³ K. Marx and F. Engels, *Werke*, Bd. 33, Dietz Verlag, Berlin, 1966, S. 82. Author's italics.—Ed.

⁴ See *Reminiscences of Marx and Engels*, Moscow, 1956, p. 66. Author's italics.—Ed.

apt to forget) that Marxist-Leninist political economy considers it essential to use mathematics to the maximum (given reliable information) in analysing the quantitative processes at work in the economy.

Political economy began to use mathematics on a particularly large scale in the 1930s. The reason for this is not hard to see. The need for the use of mathematics grows, on the one hand, when quantitative economic connections increase on a social scale (macro-economic processes), i.e., when they transcend the narrow confines of individual capitalist enterprises catering for a relatively narrow local market (micro-economic processes). On the other hand, this also happens when mathematics reaches a stage of development that makes possible the mathematical representation of the most complex quantitative economic processes on a country-wide scale. The greater the socialisation of the economy, the more essential becomes thorough and extensive calculation of the quantitative parameters of the economy. And the more advanced become accounting and computing techniques, including electronic computers, the greater are the practical possibilities for processing the thousands of millions of facts relating to the national economy. *This is possible to a full extent only where public ownership of the means of production prevails.*

Even though there has been an appreciable need for the use of mathematical techniques in political economic research, they have not been used on a wide enough scale in the Soviet Union.

Except for V. A. Kantarovich's (now a member of the U.S.S.R. Academy of Sciences) work on linear programming, published in 1939, this question remained in the stage of discussion right up to 1960 (see, for example, the journal *Kommunist* No. 7, 1957, p. 124—the article by A. Bruk; the stenographic report of the July [1959] Plenary Session of the Central Committee of the CPSU, p. 577—speech by A. Rumyantsev; annals of the meeting held under the auspices of the journal *Vestnik Statistiki*, "On the Use of Mathematics in Economic Research and on the Attitude Towards Econometrics", Moscow, 1959; the articles by Academician V. S. Nemchinov, etc.). The main question discussed was whether mathematical abstractions corresponded to reality, and hence, whether modern electronic computers could and should be used in the economy.

Mathematics enables us to portray quantitative economic processes as systems of equations and thereby to create models of these processes. The modelling of quantitative processes in socialist economy, reflecting the most essential aspects of these processes, is an integral part of the method of Marxist-Leninist political economy. A scientific model is an instrument which helps us to comprehend quantitative relationships in phenomena of a definite quality, and, in the final analysis, is a means of improving the system of scientific management of social production. A scientific model is founded first and foremost on the qualitative characteristics of economic processes, as revealed by scientific analysis. And for this reason the model must reflect reality with the closest possible approximation, relying on information of the greatest possible authenticity.

In bourgeois society many economists think that it is not strictly essential to pay particular attention to reality when constructing economic models. Such economists create models as they see fit and as many variants of them as they consider necessary. The availability of many variants of a model is not in itself a shortcoming. It even has a certain advantage, since it affords a wider choice. The trouble lies elsewhere. As explained by Emile James, the prominent French historian of bourgeois economic thought, the modellists do not care at all whether or not their models correspond to real economic life. "They," writes James, "construct models, the elements of which differ from author to author, and even the same author may construct several different models, *without attempting to establish which of them is a more faithful portrayal of reality.*"¹

To begin with, many of these economists say that it is essential to select an "ideal type" or "model" of the economic system which should then be "superimposed" on reality in order to study and direct (foresee and control) the course of economic processes. The "model" is a chain of logical conclusions attempting to embrace the superficially apparent functional connections and interactions of the social economy, expressing them in algebraic form as a relationship of variables.

¹ E. James, *Histoire de la pensée économique au XX siècle*, Vol. 2, Paris, 1955, pp. 521-28. Author's italics.—Ed.

"Models" are constructed on the basis of previously collected information. The latter is drawn predominantly from bourgeois economic theories (as regards value connections, mainly from the subjective-idealist theory of "marginal utility" or "marginal productivity"), and the data of the economic institutions of capitalist society (which rely on the study of spontaneous supply and demand, on industrial experience and on the method of "sampling").

In working out the "ideal type" of economic system, the external quantitative aspects of economic relations—mainly the movement of the mass of commodities, money, prices and other magnitudes—are used as the objective basis. Also included are non-economic data, notably psychological, climatic, demographic and other so-called exogenic (external) variables. Out of that blend of diverse information, which cannot be controlled by society as a whole, the researcher-modellist selects at his discretion (with the aid of "isolating abstraction", and "universal questioning of theoretical conclusions") the endogenous (internal) variables, or as L.R. Klein calls them, the "intuitively economic", and "variables external".¹

From them he derives his mathematical equations, which are supposed to model the economic life of bourgeois society. In actual fact, however, such a model is but a mathematical abstraction, derived from economic facts drawn at random from their totality and connected through equations in keeping with the whim of the researcher.

This method of mathematical abstraction is abstraction divorced from reality. It is only speculative construction of alleged models of the capitalist economy that takes no account of reality and subsequently attempts to squeeze reality into the models. If some of the aspects of reality refuse to be squeezed into a model, notwithstanding its many variants, so much the worse for reality. This applies not only to the models of the capitalist economy as a whole (attempts to create such models have been made in the capitalist countries, but both the authors and their clients agree that for them to be applicable there must be over-all state regulation of the economy), but also to the models of

¹ L. R. Klein, "The Scope and Limitation of Econometrics," *Applied Statistics*, Vol. 6, No. 1, London, March 1957.—Ed.

the economic activity of monopoly firms, since much of the available information is of necessity only relatively reliable. Indeed, in the view of many economists, who draw up models and make theoretical generalisations about capitalist economy, it is not at all essential that their conceptions correspond with the political economy they portray.¹

Some economists attempt to apply uncritically the methods of modelling described above to the study of socialist economy. They begin by creating a schematic *model of a socialist economy*, and then "subordinate" the economic life of socialist society to their model. This ignores the objective peculiarities of particular countries that have embarked on the socialist road of development—for example, changes in their traditional ties and traditional economic pattern, and the establishment of new proportions in the branches of their economies. Thus, in 1956, Professor E. Lippinski in his article "Model of Socialist Economy" suggested for the Polish People's Republic a model of a decentralised economy, relying on blind market forces, which was to produce mainly "bacon, butter, eggs, etc.". The proceeds of this economy were to be used for buying, "for example, in the U.S.A., some machinery, industrial equipment, raw materials, radios, etc."² It seems the wish is here father to the thought.

However, all this, I repeat, does not mean that the method of modelling is itself wrong and unacceptable to Marxist-Leninist political economy. It is particularly needed when society reaches the highest stage of socialisation of production, when the economy has become a single whole, and can be managed only along the lines of democratic centralism. Only under these conditions is it possible to obtain the exhaustive and reliable information necessary for the realistic construction of models (and the choice of the most effective variants) as a basis for the drawing up of long-term plans for national economic development. Arbitrariness in the construction of a model and the selection of its variants, severs the links between the model and its basis in reality, and becomes responsible for serious mistakes in planning and the sometimes adverse consequences that result from them.

¹ See, for example, W. Encken, *Die Grundlagen der Nationalökonomie*, B-G-H, 1950.—Ed.

² *Nowe drogi*, 1956, Nos. 11 and 12.—Ed.

Mathematical techniques hold an important, even an honourable place in the methodology of political economy. Even so, some Marxist economists, proceeding from the enormous number of quantitative parameters in socialist economy, are inclined to exaggerate the methodological importance of mathematics—although they condescendingly absolve researchers from the use of mathematics altogether when the preconditions for the theoretical “model” are not complex and the course of mental speculation is simple. It is only in these cases, they say, that political economic research can confine itself to “ordinary” language. Others go so far as to assert that the application in political economy of mathematical techniques of analysis creates a new, special type of political economy, distinct from the “traditional” or, as they call it, “descriptive” political economy. Still others reduce the method of political economy to a mathematical method, assigning to mathematics a place similar to that it holds in the technical sciences. Without mathematics, they say, political economy is not a science, or at least not an “exact” science.

Let us resist using as an argument the fact that *Capital*, *The Development of Capitalism in Russia*, *Imperialism*, *the Highest Stage of Capitalism* (and many other economic works, not only by the classics of Marxism-Leninism) have been written in “ordinary language”; let us also resist using as an argument the fact that Marxist-Leninist political economy has never denied the need to use mathematical means in its research. We could, of course, speak of the extent to which such mathematical techniques have at one time or another been used in political economic works. There is also no doubt that in modern political economic research the use by Marxists of mathematical techniques has grown both quantitatively and qualitatively compared with the past. But this increase has not affected the nature of Marxist-Leninist political economy, nor its accuracy. The accuracy of the political economic forecasting of Marxism has been confirmed by history. And for this reason we should discuss not the accuracy of political economy but the degree of its perfection, which is determined by the extent to which mathematical techniques can be used for the determination of quantitative phenomena.

But the method of Marxist-Leninist political economy cannot be reduced to mathematical techniques. They can-

not hold an exclusive place in the method of political economy and push aside the dialectical materialist method.

The attempt to replace the Marxist-Leninist method of political economy by *pure* mathematics has a long history. Ever since the prominent Austrian economist Otto Bauer attempted to revise Marxism from Kantian positions, revisionists have constantly attempted to reduce all the qualitative processes involved in relations of production to simple quantitative processes and on that basis to "discover" the so-called mathematical law of the movement of the economy (in fact of all history), insisting all the time that this is Marxism.

In fact, property relations and the corresponding relations into which people enter in the exchange of their activities and abilities cannot be reduced to purely quantitative processes. Formulae cannot embrace the qualitative processes involved in relations of production. This is because qualitative processes have a complexity of their own, one that differs from that of quantitative processes and demands for its cognition not mathematical techniques but dialectical logic.

For example, no mathematical formulae can *explain* the cyclic development of capitalist economy or, let us say, the essence of the so-called elasticity of demand in capitalist society. No formulae will express the *qualitative difference* in the attitude towards work of the *wage worker* in a capitalist enterprise and the *worker* in a socialist enterprise—particularly the *worker* who, on his own initiative, leaves a top team for a backward one (even at the risk of drawing less wages for some time) in order to help the backward reach the level of the advanced. Mathematics in itself is unable to reflect the quality, the *essence* of an economic process or phenomenon.

This does not at all mean that Marxist-Leninist political economy has no use for mathematical research techniques in the study of relations of production. For these relations are not only a unity of the differences in the economic interrelations of people, but are also a unity of such dialectical opposites as the qualitative and quantitative sides of economic processes and states. Mathematics must be used wherever there are quantitative relations in the economy. For this reason mathematical techniques are indispensable to Marxist-Leninist political economy. In study-

ing quantitative changes, political economy also investigates the transition of quantity into new economic quality. An interesting example of such an investigation is Lenin's analysis of monopoly capitalism.

Mathematical methods are reliable tools for the quantitative analysis of economic phenomena. But they cannot be the only ones, since quantitative analysis is indissolubly linked with qualitative analysis. The leading method, in view of the rich content of relations of production, must remain *dialectical logic, which reflects the dialectics of reality as a whole—including its quantitative aspect*. Statistical and mathematical analysis embraces only the precise functional connections of external quantitative movements and is insufficient for the explanation of the dialectical causal connections of economic processes and economic development as a whole. It is important to emphasise that an economic phenomenon cannot be investigated only in its quantitative aspect—by mathematical techniques, or only in its qualitative aspect—by means of dialectical logic. Such an approach would be at variance with dialectics for every phenomenon must be investigated in all its aspects.

Historical and logical approach

Political economy reflects developing reality in its historical sequence. For this reason the dialectical materialist method of political economy is also called the *historical method*.

However, the historical method of the cognition of society's economic life meets with certain difficulties. Engels remarked that if political economic research were to follow historical processes at all times, with all their large and small zigzags, in strict chronological order, it would be necessary to take into account many facts of little value, and often even to interrupt one's line of thought to find a way out of the labyrinth of phenomena created by the course of history.

The same was noted by Lenin. He cautioned that in following the historical process, one should be careful not to lose one's way in the zigzags created by the extremely involved development of social life. He advised one to

imagine social development as straight so that its whole course could be seen from beginning to end.

"To be able to see the scarlet thread that joins up the entire development of capitalism and the entire road to socialism, the road we naturally imagine as straight, and which we must imagine as straight in order to see the beginning, the continuation and the end—in real life it will never be straight, it will be incredibly involved...."¹

This does not mean that such a straight line is arbitrary, self-sufficing, and isolated from the historical process itself. It does not copy all the zigzags of the process, but it does reflect its general direction, which does not change, in spite of the various fortuitous events that may take place in history.

On the other hand, we may ask whether the concepts of economic theory should not fully coincide with the actual historical order of the relations reflected by them. Karl Marx categorically rejected such a simplified view of the historical method of political economy. "How, indeed," he wrote, "could the single logical formula of movement, of sequence, of time, explain the structure of society, in which all relations coexist simultaneously and support one another?"²

The starting-point in the order both of theoretical research and of a summary of its findings must be a *developed* object. "The anatomy of man," Marx emphasised, "is the key to the anatomy of the ape." Without a knowledge of the anatomy of both we could not understand the laws governing the evolution of the ape into man. The same applies to economic research—without first learning the structural attributes of a developed economic system, we cannot understand the forms preceding it, or the laws governing its development. Theoretical research into a process of development therefore requires at some stage *abstraction from the changes* taking place in the object of study, in order that a deeper knowledge may be gained of its internal structure in its most developed state. Theoretical research presupposes the ability to distinguish between objective connections expressing the transition of the object from one phase of development to another, and

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, p. 130.—Ed.

² K. Marx, *The Poverty of Philosophy*, Moscow, 1966, p. 96.—Ed.

connections which express the movement and interaction of the separate links in the structure of the object at a given stage of its development. These then require separate study. For example, the laws of extended capitalist reproduction cannot be understood without a preliminary analysis of the laws of simple reproduction. However, simple reproduction is not a phase in the historical development of capitalist economy, but an objective part of its structure at all stages of development, which is singled out by theoretical analysis from the complex medley of structural and historical connections and studied as a separate category. There are many such categories in the theoretical system of political economy and it would be naive to think that their order in this system follows their order in history.

The construction of a scientific system of concepts, let us repeat, is based above all else on the discovery of the internal logic of the object of study. Therefore, the dialectical materialist method of political economic cognition of reality is also the *logical method*.

Does this not contradict our own statement that the method of political economy is an historical method? Not in the least. As a theoretical discipline, political economy does not study the empirical history of the changes of economic forms, but *the internal laws of the process of historical development*, i.e., the essential internal connections at the heart of the self-movement, self-reproduction, self-complication of the process as a whole. Such research leads to the formation of a number of economic categories, which in their logical relations reflect the real connections of the historical process. For example, such series of categories as commodity—money—capital and value—surplus value—profit, reflect historically consecutive phases of development of their subject and are logically derivable one from another. Both in theory and in actual fact each consecutive stage emerges on the basis of the development of the contradictions of the preceding stage, and is a synthesis, the form of the resolution of these contradictions.

The logical method "as a matter of fact", Engels wrote, "is nothing else but the historical method, only divested of its historical form and disturbing fortuities. The chain of thought must begin with the same thing with which this history begins, and its further course will be nothing else

but the reflection of the historical course in abstract and theoretically consistent form; a corrected reflection but corrected according to laws furnished by the real course of history itself, *in that each factor can be considered at the point of development of its full maturity, of its classic form.*"¹

Practice and the method of political economy

The final link in the method of Marxist-Leninist political economy is *practice, as a criterion of truth*. But how, one might ask, can the practical, material activity of people (which the man in the street regards as the direct opposite of "mental" activity) be part of the method of scientific cognition, and what is more, a measure of the correctness of its findings?

This is explained by the fact that practice and cognition are not two different and isolated "processes", but two aspects of a single process of reality, viz., man's activity. These aspects are not identical, there are distinctions between them, but they are distinctions in a unity. Practice is universal and direct activity. Scientific cognition, however, is limited, finite and transitory. Practice inevitably prevails over scientific cognition. If theory is divorced from the practical activity of people, it becomes useless, is emptied of its content. This does not imply that practice can get along without theory, that the practical activity of people needs no scientific cognition. The divorce of practice from theory makes practice empiric, routinish and stagnant.

Fundamentally, practice and cognition are not divided either in space or time. In his actions man is conscious of what he does, and becomes conscious of his world by acting. Thought does not emerge apart from the material activity of man fenced off from that activity, but emerges in the course of it and in order to further it. Using Marx's words—thought strives to translate itself into reality, and reality, too, in one way or another, strives to be comprehended.

In his material activity man acquires a certain amount

¹ K. Marx and F. Engels, *Selected Works*, Vol. I, Moscow, 1962, pp. 373-74. Author's italics.—Ed.

of knowledge necessary for this activity. But scientific knowledge is not acquired spontaneously. However, once acquired, it accelerates the development of practice, which in turn provides food for new thought. The greater the theoretical knowledge absorbed by the masses, the more powerful becomes social action. This is how knowledge becomes a material, creative, social force.

The constant change-over from social cognition to social action and back again, ensures the objectivity and *truth* of concepts. Only the process of (transitory, finite, limited) cognition and *action*, Lenin stressed, "converts abstract concepts into *perfected objectivity*".¹

Practice and theory cannot in their essence be separated from each other. Yet in the process of the "animate life" of human society such separation may and does take place, with all the inevitable consequences. But over and over again this separation is done away with by practice. The profound generalisation made by Marx is in place here. "Every people translates theory into reality only to the extent to which it is a realisation of its requirements."²

However, what practice do we have in mind when we speak of it as of a criterion of truth? For theory is linked with the practical activity of people from the moment we begin to investigate it. Cognition begins with practice, with the analysis of a concrete object, phenomenon, system of phenomena, process, etc. After that, on the basis of that analysis, and in indissoluble connection with it, cognition passes on to the synthesis of the practical activity being studied. But cognition is *itself* a part of this activity which either confirms or denies the conformity of the abstract generalisations we have made by analysis and synthesis with reality. This makes practice the criterion of the truth of scientific conclusions, the final stage of the dialectical method.

Practice, however, expresses itself in different forms. It may be the practical activity of an individual, or a group of people, or of society as a whole. Is every type of practical activity able to function as a criterion of truth? Let us answer this question at once—no, it is not.

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 195.—Ed.

² K. Marx, "Zur Kritik der Hegelschen Rechtsphilosophie", Einleitung. Marx-Engels, *Werke*, Bd. 1, Dietz Verlag, Berlin, 1956, S. 383.—Ed.

For practice to be a criterion of truth it must be *social practice*. It must embrace all spheres of the productive and social activity of people, and the interrelated interests of all social groups and classes. The isolated practice of the individual, even of whole groups, may not only fail to conform with the conclusions of science but may even tend to "disprove" them.

Let us for the sake of example take the political economic conclusion that the average rate of profit falls as the organic structure of capital grows in complexity. But for some time the individual rate of profit (not to mention the gross profit) of individual sums of capital whose organic structure grows more quickly than that of other sums of capital, not only does not drop but even increases and superprofits are made. The lowering of the average rate of profit (which, by the way, is only a scientific abstraction) proceeds gradually and only on a social scale.

Then again, not every correspondence between current practice and some "theoretical" conclusion can be regarded as a substantiation of that conclusion. Many modern bourgeois economists, notably John Maynard Keynes, drew the conclusion that in modern conditions capitalism can overcome unemployment, the impoverishment of the working people and economic crises, that capitalist economy can be planned in the interests of all members of society, etc. To realise these possibilities, they said, the main requirement was for the integration of the bourgeois state with the economy. True, for some time, in a number of capitalist countries, we really did see a decrease in unemployment to the normal level of labour turnover, a growth in real wages, changes in the trade cycle, and the flourishing of economic forecasting, including the drawing up of plans for the country's economic development, etc. But these phenomena are neither constant nor stable and are not characteristic of capitalism as a whole. Analysis shows that they are special moments in the development of modern state-monopoly capitalism, which not only fail to remove the contradictions inherent in capitalism, but, on the contrary, exacerbate them and deepen the general crisis of capitalism as a system.

The lack of coincidence (as in the examples given above) between correct theoretical conclusions and practice in every single case, and the "coincidence" of incorrect theo-

retical generalisations with certain facts of life—these relate only to the *semblance* of things, which derives from the difference between their *essence* and *being*.

Political economic cognition of economic reality reflects not some individual aspect of that reality, but all its aspects, all its interconnections and interrelations. Consciousness reflects not only, say, the relations formed during the exchange of activity among the members of society, but *all* the relations of distribution, exchange, etc., making up the relations of production in question. Thought penetrates into the activity of man, into his material activity, revealing its essence. It is only when theory reflects the reality being cognised adequately, i.e., not as something ossified, isolated in its parts, but as a whole, as a totality, as a self-development, that cognition can be true. "The *totality of all sides of the phenomenon*," Lenin summarised, "of reality and their (reciprocal) *relations*—that is what truth is composed of."¹

But the multiformity of reality is inexhaustible. Neither in economics, nor in any other field is it possible to exhaust it. But we can and must *strive* to embrace a phenomenon completely, to reflect it in our consciousness in all its aspects. This striving protects research from committing serious errors and makes our knowledge correspond as closely as possible to reality. The process of testing and mastering truth by human practice does not take place instantaneously, but gradually, little by little. This process of testing cognised truth was aptly expressed by Lenin when he said: "Theoretical cognition ought to give the object in its necessity, in its all-sided relations, in its contradictory movement, an- und für-sich* (*in and for itself). But the human notion 'definitively' catches this objective truth of cognition, seizes and masters it, only when the notion becomes 'being-for-itself' in the sense of practice. That is, the practice of man and of mankind is the test, the criterion of the objectivity of cognition."²

Cognition reveals the essence of a phenomenon and the specific features of its being. The essence of a phenomenon is contained in the laws inherent in it, and the latter control the phenomenon. But the laws are concealed by its

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 196.—Ed.

² *Ibid.*, p. 211.—Ed.

being. So it is the coincidence of a phenomenon's essence and being when reflected in consciousness that makes cognition true, and hence useful. The main thing that distinguishes Marxism from pragmatism is its attitude to the concept of "truth". Pragmatism considers as true only theoretical concepts which are useful (to at least some individuals and groups) irrespective of whether they correspond to reality or not. Marxism, as we have just seen, approaches the matter the other way round—it takes as true that which reflects the essence of reality and is confirmed by social practice.

The disclosure of truth is not an instantaneous act. It is a process which has been shown by Marxism-Leninism to pass through three stages. The first stage of man's existence when there is no theoretical cognition, the second stage, when there is a cognition of truth in the process of man's practical activity (which involves the application of machinery), and the third stage, that of complete truth—of complete correspondence with reality. Life is self-developing objective reality. Its development is inexhaustible and hence cognition is also inexhaustible. The discovery of new sides and relations in things is unending, as is unending the "process of the deepening of man's knowledge of the thing, of phenomena, processes, etc., from appearance to essence and from less profound to more profound essence".¹ A known truth is endlessly supplemented by new truths, transforming transitory, finite, limited and relative cognition into the infinite, unlimited, absolute knowledge of mankind, which serves its practical needs and the truth of which is tested by practical application.

This naturally does not mean that there is no stability in the use of truth that is revealed by practice. Truths which have been found actually to apply in society under definite conditions continue to apply until the conditions remain unchanged. For example, in socialist economy, the domination of public ownership of the means of production, i.e., ownership not by individual professional groups or collectives, but ownership by the people as a whole, can be neither unstable nor untrue.

At the same time, theory and knowledge reflecting the essence of reality and the laws governing it enable man-

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 222.—Ed.

kind to foresee the paths of its development and to take practical actions which would otherwise be impossible. Man could not have ventured into outer space "spontaneously", without a certain body of knowledge. Nor can communism emerge in society by itself. "Man's consciousness," Lenin concluded, "not only reflects the objective world, but creates it . . . the world does not satisfy man and man decides to change it by his *activity*."¹

Practice, as a criterion of truth, as the final link in the dialectical materialist method of Marxist-Leninist political economy, enables mankind to take control of its relations of production, and to ensure to man genuine freedom, as befits him.

Unity of subject and method

The *method* and the *subject* of study are dialectically interconnected. The subject develops corresponding methods. In turn, these reveal the subject of study ever more deeply. Failing to understand this, some people are making a big noise about the supposed crisis that the Marxist-Leninist method of political economy is undergoing. Transforming the method into an ossified scheme dissociated from reality (i.e., into bare concepts which are inherent only in reason) and applying it to the subject of study like a yardstick to a length of cotton, these economists raise a hue and cry about the need to "enrich" the supposedly outmoded Marxist-Leninist method with methods of bourgeois political economy—in order to create a "single", "apolitical" economic science. They propose rejecting the methods of dialectical materialism and dialectical logic, the only ones that correspond to the dialectics of economic life, in favour of the subjective idealist methods of bourgeois political economy.

This attack on the methodology of Marxist political economy, under the guise of a struggle against the "stagnation" in its development, has been launched in both the socialist and the capitalist countries. For example, the Polish Marxist economists had to wage a resolute struggle against it. Here is how N. Lasky and M. Pohorille, eminent

¹ Ibid., pp. 212, 213. Author's italics.—Ed.

Polish economists, described this offensive. "Marxist economists were told that the stagnation in Marxist political economy is not a transitory phenomenon, but a natural consequence of its methodological basis, arising mainly out of the definition of its subject. Some critics cast doubt on the thesis of the social, class-biased nature of the different trends in political economy and formulated the need to work out 'a single, genuinely scientific and apolitical economy'. These critics contrasted bourgeois economic science to Marxist economic science, describing the former as a genuine science of economic management (*Betriebswirtschaftslehre*)—the means, research apparatus and main theses of which should be incorporated in the single political economy they proposed. Only those economists (luckily they were few) capitulated to this criticism who had formerly used Marxism as a form of camouflage in order to make a career for themselves".¹

Such offensives against Marxist-Leninist political economy are not new. Attempts to "fecundate" Marxism with idealist teachings were made even at the end of the 19th and the beginning of the 20th centuries. For example, in Russia, one of the first preachers of the "enrichment" of Marxism, and especially of Marxist political economy by "critical philosophy" was Pyotr Struve,² the leader of "legal Marxism", who was exposed and theoretically defeated by Lenin.³

An uncritical approach to the methods of research used by modern bourgeois economy, especially in connection with the need to make use of mathematical techniques in the analysis of quantitative phenomena in socialist economy, can be observed today, leading to assertions that there are two types of Marxist-Leninist political economy. But there is only one genuine Marxist-Leninist political economy. It is based on the dialectics inherent in relations of production, and demands both qualitative and quantitative analysis (including the use of statistical and mathematical methods, electronic computers, etc.).

¹ *Nowe drogi* No. 6, 1958.—Ed.

² P. V. Struve (1870-1944)—a Russian bourgeois economist and philosopher; the main representative of "legal Marxism". Left Russia after 1917.—Ed.

³ See V. I. Lenin, *Collected Works*, Vol. 20, Moscow, pp. 187-207.—Ed.

Thus, the method of Marxist-Leninist political economy, with the aid of which relations of production are studied and the laws inherent in them are revealed, is based on the dialectical materialist world outlook. The method is, therefore, applied dialectical logic. It cognises with the help of the analytico-synthetic method of research both quantitative and qualitative economic processes in their dialectical unity and difference, in their historical development. It reflects the dialectics inherent in relations of production, enabling people to learn the true facts about the essence of their own relations of production. In this way political economy puts its findings at the service of people's practical activity, findings tested by economic practice. The method of dialectical materialism is the method of political economy as a whole, and hence also that of its inseparable part—the political economy of the communist mode of production and distribution of material wealth.

Chapter One

CATEGORIES OF THE POLITICAL ECONOMY OF THE COMMUNIST FORMATION

In studying its subject—production relations in their indissoluble connection with the productive forces—with the help of the dialectical materialist method, Marxist-Leninist political economy derives abstractions or generalised logical concepts which reflect the essence of the real relations of society's economic life. These generalisations are called economic categories or categories of political economy. "Economic categories," Marx said, "are only the theoretical expressions, the abstractions of the social relations of production."¹

The elaboration of generalised concepts of the separate sides of economic relations is the first step in the cognition of these relations, leading in turn to the discovery of the laws governing them.

Objective and historical nature of categories

The categories of political economy are not subjective, are not arbitrary. They are objective because they reflect reality, and are true because they correspond to the relations of which they are the generalised concepts. Naturally, the objectivity of cognition, and therefore the truth of scientific categories, depends on people, that is, on their striving for a full and accurate understanding of their relations. The working class is deeply interested in the true, objective cognition of the essence of the economic conditions of social life so that it can take conscious action directed at the revolutionary transformation of society.

¹ K. Marx, *The Poverty of Philosophy*, Moscow, 1966, p. 95.—Ed.

That is why Marxist-Leninist political economy rejects a subjectivist and arbitrary approach to the derivation of economic categories and strives for the most accurate, logical reflection of reality.

Modern bourgeois political economy, on the other hand, usually works with arbitrary, contrived categories. This is explained by the fact that bourgeois economists are not faced with the task of giving an adequate (accurate, true) reflection of the economic life of society. On the contrary, in keeping with the "orders" of the capitalists (both direct and indirect), it is their job to reflect this life in a crooked mirror in an attempt to justify the positions of capitalism, to defend the spontaneity of economic life so profitable to the capitalists, and, at the same time, to convince the working people that modern capitalism has outlived its faults and has become a "just" social system (take, for example, the theories of so-called "people's capitalism", the "affluent society", and so on).

This does not mean that the works of bourgeois economists do not contain anything of scientific interest. Conscious (or even the rare unconscious) apologia always contain some facts. These facts may be of scientific value. Science and ideology are not identical. That is why in the scientific research of bourgeois economists we are able to discover grains of reality, in spite of their ideological apologetic interpretation. Bourgeois economists give a lot of interesting material on socio-economic questions. There are many valuable works written by them on special questions of the organisation and management of production, on questions of exchange, questions of demography, etc. But the moment they touch upon *general* theory of political economy, there can be no talk of any true reflection of reality. Their theory has been assigned the Sisyphean task of defending the capitalist system, and because of this all facts lose their true significance and are inevitably distorted for the sake of this task. "*Not a single* professor of political economy (i.e., bourgeois professor—A.R.), who may be capable of very valuable contributions in the field of factual and specialised investigations," Lenin said, "can be trusted *one iota* when it comes to the general theory of political economy."¹ Marxist-Leninist criticism of such gener-

¹ V. I. Lenin, *Collected Works*, Vol. 14, Moscow, p. 342.—Ed.

al theoretical writings is called upon to reveal their apologetic ideological nature, and to unearth the facts lying underneath the apologetic top-dressing. The facts give these writings a scientific appearance, but the false use to which they are put enables bourgeois economists to distort reality to meet the requirements of their clients. Marxist-Leninist criticism frees the facts of their apologetic camouflage and helps to reveal their true and undisguised scientific content.

The categories of Marxist-Leninist political economy are true but they are not eternal. This is because the economic relations which are logically reflected in the categories are not themselves eternal. Theoretical concepts of political economy must be mobile, flexible, "relative", to be able to embrace these relations in their complex and contradictory development. Only in metaphysics are there "immobile", eternal categories.

Society constantly develops, progresses from lower to higher stages, from the simple to the complex. Progressive development is not linear but spiral, zigzag-shaped (opening the door to temporary "reversals"). In the long run, it proceeds now smoothly and gradually, and now by leaps and bounds, giving birth to new quality. When a new stage emerges, the destruction of the outmoded one (a residuum of which always continues to exist in the new stage) is never complete, because everything of value that has been amassed in the old is preserved in a transcended form in the new stage and the new rises as it were in a spiral curve above the ruins of the old.

Economic relations develop through a substitution of the new for the old. New production relations engender new forms of economic life, new conditions and sides of the economic life of society. In accordance with this, political economy works out new logical generalisations for the emergent relations (although old terms may be used for them. For example, the terms "wages", "profit", etc., continue to be used under socialism, though capitalist relations have ceased to exist).

New relations are reflected in new categories. Old categories belong to the old relations and are unable to reflect newly emerging relations. Thus, as Marx summarised, economic categories are "as little eternal as the relations

they express. They are *historical and transitory* products."¹

Economic categories follow the historical sequence of the changing relations they reflect. In the broad historical scheme of things, one mode of production and distribution of material wealth is replaced by another. Political economy derives economic categories corresponding to each historically determined stage of socio-economic development. In this process, it also derives categories which to some degree are relevant to all social formations. However, even these categories have historically conditioned specific features.

Speaking of economic categories as a reflection of the social relations of production, Marx always emphasised that they depend on historical conditions. He wrote: "It should always be borne in mind that both in reality and in the mind, the subject, in this case modern bourgeois society, is a thing that is given, and that the categories express forms of Being, conditions of existence, often only definite sides of this *definite* society..."²

The political economy of the communist formation, as part of Marxist-Leninist political economy, in studying socialist relations (the relations of the first phase of communism), derives economic categories reflecting in a generalised form the essential, historically conditioned content of these relations.

Interrelation of categories—the economic structure

Each of the economic categories by itself reflects only one relation (one condition, one form, one side, etc.) of the economic life being studied. However, no category is isolated from other categories, all of them are interlinked and in their totality reflect the relevant economic system as a whole. These interrelations of the categories of economic relations are immanent, that is, are inherent in these relations. The various sides and forms of the relations of production are all part of a single whole. They are opposites within a unity. The division of the single totality of production relations into component sides and parts is

¹ K. Marx, *The Poverty of Philosophy*, Moscow, 1966, pp. 95-96.—Ed.

² K. Marx, *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf)* 1857-1858, Moskau, 1939, S. 22.—Ed.

strictly *consecutive*. This consecutiveness is determined not by their alternation in time but by their *place* and *role* in the structure of the whole. The categories of political economy reflect the relations, sides, conditions and forms of economic life in their *structural* consecutiveness or sequence, forming together the logical expression of the life of the economy.

The relations of the ownership of the means of production always form the basis of the internal structure of a society. Under the domination of private ownership theoretical research rightly reduces these relations to the simplest relations between two private owners—who cannot directly discern the social character of their personal activities and therefore express this character of their activities in a mediated form, in the form of commodities. In commodity-capitalist society economic relations are *concealed* in a material shell. Capitalism turns labour power into a commodity, “the essential productive forces of man” (Marx) are alienated from man, society as something independent opposes every one of its members. That is why in studying the commodity-material relations of two private owners, Marx said, “the subject, society, must always hover in our imagination as a precondition”.¹

Bourgeois economists naturally side-step the question of society as an objective precondition of the whole life and activity of every single individual. True, beginning with the 1930s, bourgeois political economy makes mention of micro- and macro-economy and its interrelations. The general crisis of capitalism and the emergence of two world economic systems have compelled it to turn its attention to economic society as a whole.

However, society, according to the assertions of bourgeois economists, is nothing but a simple community of individuals (one that has no objective basis, existing irrespective of the will and consciousness of people). Therefore, they consider as social relations only the relations of exchange between economic men, i.e., relations which are the logical continuation of the individual economic activity of man.² The only link connecting individuals in their simple

¹ K. Marx, *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf)* 1857-1858, Moskau, 1939, S. 22.—Ed.

² See O. Spann, *Fundament der Volkswirtschaftslehre*, Jena, 1929.—Ed.

intercourse, or society, they say, is the subjectively determined price system as shaped by supply and demand.

In modern conditions bourgeois economists have made the concept "society" more inclusive by identifying it with the modern bourgeois state, which they regard as a supra-class category. Instead of having "economic man" guided only by his individual interests, they have advanced the "social process" as a subject of study, determined by "social motives" which are supposed to rise above mere class interests. Actually, however, these "social motives" are nothing but the interests of monopoly capital developed to a state-monopoly level passed off as the interests of society, while the "social process" is the deliberate activity of superstructural political bodies (the bourgeois state) catering to these interests. They have also advanced the idea of the transformation of capitalism into state-regulated capitalism, which is to operate on the basis of spontaneous exchange relations.

Bourgeois theoreticians, relying on their subjective idealist methodology, cannot and do not want to transcend the limits which their class ideas set to the concept of society, because a rejection of subjective idealism would inevitably lead to a correct cognition of reality, and to the realisation that there must be a radical transformation of the economic life of society.

The internal structure of socialist (communist) economy is based on *public* ownership of the means of production. Hence, even socialism, the first phase of communism, does away with alienation between man's main productive forces and people and transforms material relations between people into *directly social* relations. Thus, relations between two individuals cannot be regarded as the elementary economic relation in the theoretical study of socialist economy. In socialist economy there are interrelations of *many*, comprising a single, co-ordinated economic society, even though there is a "cell" structure (since the members of socialist society are both united and subdivided into workers' collectives, that is, enterprises). Hence, in political economic research into socialist economy, society must not only "hover in our imagination as a precondition", but comprise a *direct object of study*, as an integrated and consciously acting economic force. If we fail to take into account the *whole* in socialist economy, we shall be unable

to understand any single economic relation, even the simplest one.

All the component parts of the internal structure of socialist economy, reflected in the categories of political economy, are indissolubly linked with the social relations resulting from public ownership of the means of production, and are determined by them. From public ownership follows co-ordinated exchange of activity or the joint labour of the common owners of the means of production (both on a social scale and at the level of the enterprise), the rational division of labour, the all-sided development of the personality of every member of society, and the over-riding importance in social production of large-scale industry, notably heavy industry. Heavy industry determines the importance, interrelations and mutual influences of *all other branches* of the economy.

Public ownership of the means of production determines also the common ownership of the results of common labour. The principles of the distribution of the common output (and other components of the structure of the economy) likewise follow from public ownership. The *categories* of the political economy of the communist formation in its first phase, in their totality, form the *logical expression* of this *internal structure* of socialist economy, of the many-sided relations of the joint owners of the means of production, comprising a single economic whole.

The derivation of economic categories constitutes the process of research—the assimilation of the amassed material, its grouping and systematisation on the basis of analysis and synthesis, the revelation of the whole internal economic structure of society in its unity and diversity. The structural sequence of the sides and forms of the relations of production can be reflected by categories only in their *pure, ideal* form (which is in keeping with the search for general relations). This presupposes that “actual conditions are represented only to the extent that they are typical of their own general case”.¹ Marx’s proposition is of general methodological importance, because it states the demands of the logical method of political economic research, viz., that in the study of economic phenomena, historical coincidences disturbing them should be disregarded.

¹ K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 143.—Ed.

Main link in the research of society's economic structure

To cognise the internal logic of the multiform and chaotic mass of the economic phenomena we observe, we must find among them the *main link*, which, once grasped, should enable us to bring to the surface the whole chain of the economic relations we are studying, revealing all their connections one with another. This link can only be a very simple, ordinary relation that has assumed a mass scale because it repeats itself thousands of millions of times. Under socialism, the first phase of communism, this simplest, most ordinary and most common relation is the *comradely collective production of the products needed by society on the basis of the public ownership of the means of production*. It is expressed first and foremost in the real collective appropriation by the working people of the means of production, ensuring the unobstructed wedding of labour to the means of production, which is a specific feature of the socialist (communist) mode of production. It is the main link in the chain of economic relations under socialism (and also under full communism). The accumulation of every fact relating to this is the starting-point for a study of the socialist (communist) mode of production and distribution of material wealth.

What do the facts show? Let us consider data pertaining to the U.S.S.R., where socialist relations are most fully developed.

The wedding of labour to the means of production meets with no obstacles in socialist society. Since 1930 there has been no unemployment in the Soviet Union. All able-bodied members of society are engaged in socially useful work.

The means of production do not oppose the workers as alien property. At the time of the 1959 census, the percentage of the population directly involved in public ownership of the means of production was 99.7 per cent. Only 0.1 per cent of the population lived on unearned incomes from sources which were not indicated in the census. The productive assets of the country, with the rarest exceptions, belong either to the entire society of the working people or to their collectives. Socialist property accounts for 99.99 per cent of the productive assets. Hence, there is no exploitation of man by man in socialist production. The fruits

of the common labour belong to the entire society of the working people or to their collectives. This can be seen from data of the Central Statistics Board of the U.S.S.R. In 1961, socialist economy accounted for 99.99 per cent of the national income, 100 per cent of the gross industrial output, 99.9 per cent of the gross agricultural output and 100 per cent of the retail trade.

The direct participation of every able-bodied member of society in common labour is the main form in which the common ownership of the means of production is put to use, a form expressing the co-ownership by every member of society of these means. There is not and cannot be any other main form in which common ownership of the means of production is applied in socialist society. The productive forces belonging to all members of society can only be used jointly, in their common labour, and co-ordinated in their common interests. This is the general condition of the socialist (communist) mode of production and distribution of material wealth. On it is based the comradely co-operation and mutual assistance of the working people in the exchange of their activity and the distribution of the jointly produced output.

The common, collective ownership of the means of production, and the direct participation of every able-bodied member of society in common labour, mean that all the members of society enter into the relations of joint owners of the fruits of their common labour (the second form in which common ownership is utilised). The confidence of the members of society in their present and future security is founded on these relations. Every one of them is certain that his individual everyday requirements, his means of subsistence, are firmly guaranteed under socialism (to the extent of his share in common labour). Moreover, every one is certain that his needs as regards education, medical aid and a number of other requirements essential for the development of the personality, will be satisfied by society (in accordance with the attained level of its development). These do not depend directly on the size and quality of the personal contribution made by each member of society to the common labour.

The most important thing about public ownership of the means of production is that no one opposes any one else as a private owner. All the basic means of production be-

long to the working people themselves as joint owners of these means of production.

Hence, there are no antagonistic classes in the U.S.S.R., that is, no owners of the means of production exploiting other people's labour, and no class of wage workers deprived of these means and therefore forced to sell their labour power to capitalists. Where there are no class antagonisms, Lenin noted,¹ *co-owners of modern means of production enter into economic relations and form essentially a single association of producers (as it was called by the classics of Marxism-Leninism).*

In the first phase of communism, that is, in the socialist phase, this association is still divided into two classes—the workers and the peasants—but essentially it already represents full co-operation by the whole population.

“With most of the population organised in co-operatives,” Lenin said, “the socialism which in the past was legitimately treated with ridicule, scorn and contempt by those who were rightly convinced that it was necessary to wage the class struggle, the struggle for political power, etc., will achieve its aim automatically.”² Under these conditions the mutual relations of the two classes (the workers and the peasants) cannot be antagonistic. The non-antagonistic contradictions between them are resolved through the growth of socialist production and this leads up to the ultimate full merger of these classes, a characteristic of the highest phase of communism. We are, therefore, entitled even now, in analysing the laws of the socialist (communist) formation as a whole on the basis of data relating to the U.S.S.R., to regard the economic relations of people in the Soviet Union *as relations of associated producers.*

Property relations under which 99.99 per cent of the productive assets of a country belong to the associated producers themselves and form their common property testify to the fact that public ownership of the means of production *dominates* in the economy. This determines the *undividedly socialist* character of society.

The domination of public ownership is the common and principal condition characterising the socialist (communist) mode of production and distribution of the material (and

¹ See V. I. Lenin, *Collected Works*, Vol. 33, Moscow, p. 143.—Ed.

² V. I. Lenin, *Collected Works*, Vol. 33, Moscow, p. 467.—Ed.

spiritual) wealth needed by the people. There is not and cannot be any socialism where public ownership of the means of production is not dominant, where the main role in social production is played by capitalist property (even in the form of state property), irrespective of the political form that the bourgeoisie, its politicians and theoreticians use for this domination.

Socialism supersedes the capitalist mode of production. "The abolition of private property," Engels said, "is the shortest and most general expression of the transformation of the whole social system, necessitated by industrial development."¹

Only in the first stages of the existence of socialism can capitalist property be temporarily preserved as a subordinated form. Socialist property, taking control of the commanding heights of the economy, gradually ousts capitalist property from the economic life of society and ultimately replaces it completely.

Right-wing socialists assert that "the collective ownership of the means and instruments of production is not essential for socialism".² Such assertions testify to the fact that these "socialists" have fully rejected a scientific analysis of reality and that they, while pretending to represent the interests of the working class, have become champions of bourgeois interests. The view that socialism is compatible with private capitalist property (in any form) which is propagated in the programmes of some Social-Democratic parties and in the main documents of the Socialist International³ has nothing in common with scientific socialism and is a complete falsification of the actual processes at work in society.

A society of associated producers constituted as a single economic whole, the domination of public ownership of the basic means of production as the main condition of socialist economy, the need for the direct participation of every able-bodied member of society in common labour free from exploitation, and the common ownership of the results of

¹ F. Engels, "Grundsätze der Kommunismus", Marx-Engels, *Werke*, Bd. 4, Dietz Verlag, Berlin, 1959, S. 371.—*Ed.*

² A. Philip, *Pour un socialisme humaniste*, Paris, 1969, p. 200.—*Ed.*

³ See, for example, the Frankfurt Declaration of 1951 and the Declaration of the Socialist International adopted in June 1962 in Oslo.—*Ed.*

common labour—*these are the first logical generalisations furnished by a study of the consecutively linked "layers" of the economic life of socialist (communist) society.* These are the initial, main categories of the political economy of the communist formation, relating to its first phase—socialist production relations. These categories express the main connections in the internal structure of socialist (communist) economy.

**Collectivity and the understanding by the people
of their relations of production**

Political economy of the communist formation derives its logical generalisations or categories by abstracting the essential from the maze of particulars and fortuitous factors lying on the surface of the economic life of society. True, it is difficult to see the essential features specific to socialist economy on the surface of socialist relations. Let us imagine, for example, that a co-owner of the means of production wishes to work in a certain enterprise. Then it may happen that he will not be accepted by the enterprise he is so anxious to join because there are no vacancies, or because his qualifications or state of health are not good enough for the work he wants to do. But if he is accepted, having joined a collective of workers, he has to submit to a definite labour discipline, and any violation of it is punishable, up to and including his dismissal from the enterprise.

Again, suppose that one of the co-owners of the products of common labour desires to obtain a definite article for his personal use. To do this he has, of course, to buy it in a shop. But he may not have the money to buy it, so that he cannot have the article he wants.

We could give many more examples showing that on their surface socialist relations do not directly coincide with their internal essence, do not reveal it. Indeed, there is a seeming contradiction between the appearance of socialist relations and their essence. That is why it is not at all easy for every single member of socialist society to discern and realise that in spite of all particular cases, he, together with all other members of society, is a co-owner of the enormous and diversified national wealth distributed all over the country; that he participates in the common labour

of associated producers as a co-owner; that he is a co-owner of all the parts of that common labour on a country-wide scale; that he, as an individual, his workers' collective and society as a whole, are not opposites but only distinctions within an organically indissoluble *unity*.

It is difficult to realise the essence of socialist relations not only because the essential is always hidden below the surface of the phenomenon, but also because the consciousness of individuals always lags behind their being. Entering into new economic relations they generally preserve to some degree their old habits and views for a long time to come.

In the initial stages, when socialist economy was in the making, the preservation of old views and habits was promoted by the environment, by the existence in the country of capitalist enterprises, privately-owned peasant farms and artisan workshops. At that time not the whole of society but only the working class, which had assumed state power and taken over the key positions in the economy, conducted its activities along socialist lines. In his critical remarks on N. Bukharin's *Economy of the Transition Period*, Lenin approved of the place in it saying that "in the transition period . . . the conscious economic subject is not 'society as a whole' but the organised working class. . . ."¹

Even after capitalist enterprises have been completely ousted and complete collectivisation has been carried out some members of society preserve old habits and views. It takes time to outlive them. Particularly long-lived are vestiges of private-ownership psychology, which distort the essence of the new relations of public ownership, opposing "my" to "public" (meaning "theirs"), while in reality the latter is a collective "our". Besides, even newly acquired views and habits may become outmoded and lag behind the development of socialist relations.

Yet, it is only *on the basis of the realisation* by all members of society of the essence of their production relations, and hence, of their community of interests (i.e., only on the basis of the conscious, *active participation* of everyone in the implementation and development of their common

¹ *XI Leninsky sbornik* (Lenin Miscellany XI), Moscow, p. 380.—Ed.

interests) that socialism can develop and grow into full communism. *This is a specific feature of the socialist (communist) mode of production.* It is specific only for that mode and is one of the distinctive differences between communism (socialism) and all preceding socio-economic formations.

Socialist (communist) production relations emerge and take shape not spontaneously, not as a result of evolution in the womb of preceding society. They emerge as a result of the *conscious* revolutionary break-up by the working class of capitalist relations. They are built consciously under the guidance of the working class by the broad mass of the working people.

It would be wrong to expect of every single member of a socialist society that emerged as a result of a revolution that he be consciously guided in his economic activities by theoretical conclusions from the very first days of that society's existence. Nevertheless, only a scientific understanding of the essence of their production relations provides the foundation for the truly conscious participation of the masses in the building of socialism (communism). Admittedly, this is a contradiction, but a contradiction not of reasoning, but of life; a dialectical, non-antagonistic contradiction in the actual economic life of socialist (communist) society.

Life resolves this contradiction in the form of the *genuine* collectivity of "revolutionary proletarians" in the course of the revolutionary transformation of social relations. Their true collectivity as opposed to the "imaginary collectivity" (K. Marx and F. Engels) of bourgeois society does not set itself up against the members of society as something independent, for it is not a combination alien to them, a combination within the framework of which the fate of every member of society taken individually is dictated by chance. Genuine collectivity "is just this combination of individuals (assuming the advanced stage of modern productive forces, of course) which puts the conditions of the free development and movement of individuals under their *control*,"¹ and, therefore, liberates them from the rule and oppression of chaos and chance, of a society set up in opposition to its individual members.

¹ K. Marx and F. Engels, *The German Ideology*, Moscow, 1968, pp. 93-94. Author's italics.—Ed.

Socialist (communist) society is not an owner of the means of production opposing the members of society and exploiting the labour force it hires, as the bourgeois economists and the revisionists echoing them love to assert. Socialist society is not an owner from whom the members of society are compelled to hire means of production. It is also not a sovereign who bestows upon his vassals feudal possessions, i.e., economic districts or enterprises, and thus obliges those who depend on him to serve him. Socialist society has nothing to do with regimental equalisation of all members of society, as modern anti-communists declare.

All this slander is not new. Marx and Engels encountered such views. "Saint Max," they wrote in *The German Ideology*, exposing the feudal interpretation of socialism, "after constructing communism from feudal bondage, then constructs it again in the form of feudal bondage *under* a liège lord—society—on the same model as he already, above, transformed the means by which we earn something into the 'Holy', by 'grace' of which something is given to us."¹ The working class, heading and leading the broad mass of working people, creates the society of free individuals it needs as an *instrument* for the implementation of their common economic interests. Although every worker does not maintain direct economic relations with society as a whole, he carries on these relations through the medium of his workers' collective (the enterprise he works at).

Socialist society cannot set itself up against its members. It is a single collective of co-owners of means of production, broken down into branches and enterprises. Naturally, it embraces a wide diversity of individuals (and hence of personal interests) among its members, but they voluntarily co-ordinate their economic activities, i.e., use common means of production in their common labour in the common interests of all members of society.

This common interest is not levelled and monotonous. It is a dialectical unity of differences. The unity of the common interest lies in the wealth and the diversity of the individual interests that have to be satisfied on the basis of the genuine collectivity of the associated producers. This

¹ K. Marx and F. Engels, *The German Ideology*, Moscow, 1968, p. 245. Author's italics.—Ed.

contradiction is resolved in the *all-sided, free development of the personality of each member of society*.

In this collectivity, as the founders of Marxism noted, every individual is genuinely free for the first time in history. The vanguard of the socialist people, *the Communist Party, armed with knowledge of scientific communism*, is the only body that can and does act to cement this collectivity.

Developing Marxist-Leninist theory in a creative way and using it practically to organise socialist construction, and to educate in this process a new consciousness in all members of society, helping them to master the scientific world outlook, the Party thereby promotes the formation of new views that correspond to the really progressive conditions of social life. In other words, the "collective reason" (K. Marx) of society, as represented notably by the Party, understands the real essence of social relations and instills this realisation in the consciousness of the masses.

The bourgeoisie and its theoreticians oppose the concept, and even more so, the reality of collective reason. They set up the reason of the individual against the collective reason. Actually it is not so important for the bourgeoisie to refute the idea of collective reason as such, as to deny a collective reason to the working class. As always, the renegades of Marxism exhibit particular zeal in this respect. For example, the French philosopher Henri François Lefevre speaks of the irresolvable contradiction between the cognition of the individual person, which he declares to be true, and the cognition of a collective person (Party) which, he says, is unable to discover the truth, because it sacrifices truth to politics.¹ On this basis Lefevre, echoing bourgeois ideologists, denies the scientific value of Marxist-Leninist political economy as a theoretical basis for the Party's economic policy, which, he claims, distorts truth.

Let us see whether the cognition of objective reality by the Party, as a collective cognising person, can differ basically from the cognition of truth by the individuals making up the working class. The fundamental interests of the workers as such and of their Party are identical. Collective reason naturally consists of the reasoning of the individuals

¹ See *Esprit*, No. 1, 1957.—Ed.

making up the collective, who supplement and enrich one another, creating ultimately the objective knowledge mankind possesses at every stage of its development. The individual cannot himself possess all-embracing knowledge; his knowledge is of necessity limited. Only in the organic blending of this limited knowledge with the limited knowledge of others can individual knowledge become part of the absolute knowledge of mankind.

Society led by the Party overcomes step by step the private-ownership psychology inherited by the masses from the past, and the bourgeois and petty-bourgeois attitudes to social labour and social wealth. The Party instills in the masses an ever deeper realisation of the new, genuinely humane principles of socio-economic life, moulds a communist consciousness in all members of society. This does not mean, of course, that this is a question simply of spreading scientific economic knowledge (though this is of enormous significance). We have in mind the *practical* realisation by the masses of socialist (communist) principles.

The initial factor in forming the new consciousness is the *direct experience of everybody*, the living practice developing under the leadership of the Communist Party. Every person acquires practical experience mainly by assimilating surface economic relations, rising from an understanding of his personal material interests to the realisation that the interests of the collective and of society as a whole are the same as his own.

So, perceiving first of all the outward side of the true development of socialist production relations, the outward economic conditions in which they manifest themselves, the members of socialist society adopt them as natural norms for their activity. The unobstructed connection of everyone with the means of production, that is, the absence of unemployment, has become a norm of economic life under socialism. The direct participation of every able-bodied member of society in social labour, comradely co-operation and mutual assistance, security in the future, etc., have also become norms.

What we are discussing therefore is the practical mastery of a *proprietary* attitude by every member of socialist society to the *entire* common property. A proprietary attitude is characterised by thrift, is exhibited in the constant striv-

ing to use property rationally, and the constant care to multiply it in the interests of all members of society.

"We are the owners of industry, we are the owners of the grain, we are the owners of all the wealth of the country. Only when this has deeply penetrated the minds of the working class, when, by their own experience, by their own efforts, they increase their forces tenfold, will all the difficulties of the socialist revolution be overcome."¹

The category of public property under socialism

Let us now consider the category of the public socialist ownership of the means of production. There are internal distinctions in this category.

Socialist ownership of the means of production assumes different forms (and this is its specific feature), the main form being ownership by the *people as a whole* (the state).² The essence of the relations of public ownership consists in the fact that *all members of society are related to each other as joint owners of the bulk of the fixed productive assets* in the country. Every member of society, irrespective of where he works or resides is a co-owner of all these means, no matter where they are situated.

The means of production owned by the people as a whole take the form mainly of *fixed productive assets*. In the U.S.S.R., for example, they accounted in 1961 for 89.3 per cent of the total fixed productive assets in the country.

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, pp. 488-89.—Ed.

² Since the economic intercourse of the members of socialist society proceeds in modern historical conditions within the framework of the state they organise, the ownership of the means of production by the people as a whole is at the same time state ownership. Naturally, the fact that the property of the people as a whole takes the form of state property lends that property certain specific features. We shall abstain from analysing these special features in this book for they are no longer decisive, especially in the period of the full-scale construction of communism. We can and must identify ownership by the people as a whole with its state form under socialism, the more so that the state form of ownership presupposes that every member of socialist society, no matter where he is employed, is a co-owner. All references made hereafter to ownership of property by the people as a whole presume its existence in the form of state ownership of property.

This alone demonstrates their leading role in socialist economy.

But *fixed non-productive assets* are also the property of the whole people. They consist mainly of public housing, the buildings of state enterprises, buildings employed in the communal economy, and those used for trading, administrative, cultural, educational and other purposes. In the U.S.S.R., 98.7 per cent of the total non-productive fixed assets in the country are the property of the whole people.

So the property of the whole people is a unity that can be broken down into different types of assets. As regards volume, the leading place in it belongs to fixed productive assets (according to data of the U.S.S.R. Central Statistics Board, fixed productive assets account for 56.7 per cent, non-productive for 43.3 per cent).

Generally speaking, the share of the fixed non-productive assets in the property of the whole people may grow with the passing of time. However, even then, the absolute growth of the country's productive potential, i.e., the means of production, embodied in the fixed productive assets, will continue to decide the volume of the non-productive assets and their possible growth.

The property of the whole people is multiform also as regards the branches of the economy composing it. The closely interlinked branches of industry, transport, communications, agriculture (state farms), etc., all equipped with modern machinery, compose in their totality the single public (state) economic whole.

Factories, industrial, transport and communication enterprises, state farms, state shops and similar workers' collectives are therefore links or "cells" of the relations of the property of the whole people.

In addition to ownership of the means of production by the whole people there is a *group* (co-operative) form of public property, a separate or fractional part of which is the single co-operative. In the production sphere it is represented mainly by *collective-farm* ownership.

The members of every single collective farm are the *joint owners of the means of production of the collective farm*. These means embrace various kinds of machinery and instruments of labour, buildings, land, orchards, gardens, livestock, fodder, fertilisers, means of transportation, irriga-

tion and drainage installations, raw materials, and so on. In the Soviet Union, they comprised in 1961, according to data of the U.S.S.R. Central Statistics Board, 10.7 per cent of the country's fixed productive assets. Collective-farm property also includes non-productive fixed assets (mainly public non-productive buildings). In the U.S.S.R. collective-farm property embraces 1.3 per cent of the public fixed non-productive assets of the country. Fixed productive assets account for 92.3 per cent of collective-farm property, while non-productive assets account for 7.7 per cent. The comparatively small share of non-productive assets in collective-farm property is due to the fact that dwelling houses and other buildings in the collective farmers' own household and the amenities in them are not included in the non-productive assets of the collective farms.

Group (co-operative) property can assume a socialist character only if the property of the whole people (state property) is predominant in society. Only the domination of the property of the whole people can guarantee co-operative property from exploitation by capital. Close economic relations, co-ordinated on a social scale, form between state and co-operative property. State property consistently helps co-operative property in its development along socialist lines, helps it to rise to the level of the steadily developing socialist property of the whole people. It helps the collective farms organise production and distribute the public output within the collective farm, and assists the collective farms establish reciprocal relations with the national economy as a whole.

The socialist nature of collective-farm property is particularly strikingly demonstrated in the *non-distributable assets* (also called the indivisible funds, i.e., the collective farms' own investment funds), which are very similar to the fixed (productive and non-productive) assets of state enterprises. The emergence of *inter-collective farm property* (various facilities jointly used by a number of collective farms, such as electric power stations, irrigational structures, building organisations, enterprises for the primary processing of agricultural output and other associations, in which up to 90 per cent of all Soviet collective farms participated in 1961), shows that collective-farm property is growing similar to the property of the whole people. An important

factor in this development of collective-farm property is the fact that land, the main non-manufactured means of production, is in the U.S.S.R. already the property of the whole people and not the individual property of each collective farm or of each farmer joining a collective farm.

Since the relations of ownership by the whole people of the basic means of production (state property) is the typical, and what is most important, the decisive, leading relation in the socialist mode of production and distribution of material wealth, we shall in our further analysis study mainly these relations.

Category of democratic centralism in the economy

The vast scale of the property of the whole people makes the question of the principles and forms used in its management a complicated one. It is commonly known that property can be managed properly only by its owner and only in his own interests. The people are the owners of the basic means of production distributed all over the vast territory of the Soviet Union. Hence, they must manage their property themselves and only in their interests. Such management is possible only because of the genuine collectivity of socialist society, which gives all its members the opportunity to control their own free development.

The owner (the people as a whole) is represented by the state¹ (the state of the dictatorship of the proletariat growing over into the state of the people as a whole). At the same time it consists of a multitude of workers' collectives having diversified local and individual interests. In these conditions it is essential to manage the people's property as a single whole in the common interests of all members of society. In other words, there must be *centralism* in the management of people's property.

Centralised management is not a subjective wish but an objective necessity. It is a result of the development of

¹ The role of the socialist state in the economy has been described by the author in his article "The Economic Role of the Socialist State: Its Necessity, Essence and Historical Limits", published in the collection *The Economic Role of the State Under Socialism* (materials of the international exchange of views of Marxists held in April 1960 under the auspices of *World Marxist Review*). Peace and Socialism Publishing House, Prague, 1961.—Ed.

modern social production. The concentration and centralisation of capital has resulted in the capitalist socialisation of production, in the emergence of giant capitalist concerns, trusts, syndicates and other monopoly forms, which have established their rule not only in single branches of production, but also in aggregates of them (vertical trusts), and not only within individual countries but on a world scale too.

This socialisation, representing a concentration of modern equipment and property in the hands of a single owner, naturally necessitates unity also in technical guidance and commercial management, i.e., the concentration of management in the hands of a single group of capitalists, or centralised management. But even when we discard the capitalist form of management, large-scale machine production still requires centralised management and excludes decentralised management. Decentralised management was needed at a definite stage of the development of capitalism and at that time played a positive role. True, the establishment of centralised management in capitalist society has essentially a coercive nature, proceeds through competitive struggle, through the ruin of many capitalists, through the swallowing up by the strong capitalist of the weaker, etc. Therefore, centralism is implanted under capitalism from above, by the capitalists themselves (by the monopolies) in a bureaucratic, coercive way and is carried out only in the interests of the capitalists. Centralism under capitalism cannot be democratic because it is set up in opposition to the exploited masses it controls.

Since communism, as regards its economic basis, is the objective logical product of large-scale machine industry and the world market, Communists always were, are and will be centralists as regards the development and management of public production. This is the more so now that the highest stage of capitalist socialisation, taking the form of state-monopoly capitalism, as demonstrated by Lenin, creates, in spite of the wishes of the capitalists, the fullest material prerequisites for socialism.

Centralised management under socialism differs from centralised management under capitalism both as regards its social and organisational nature. The objective technological basis of centralism continues to exist under social-

ism. But under socialism it is not the capitalists but the working people as a whole, headed by the working class, who are the owners of the means of production. Hence, the social nature of ownership requires that there be *democratism* in the centralised management of that property. Centralism therefore becomes democratic. Democratic centralism is a result of the essence of public ownership of the means of production. Democratic centralism is not synonymous with decentralism, as some economists seem to think. In fact, democratic centralism is the direct opposite of decentralisation, which runs counter to the essential needs of large-scale machine production, to its necessary socialisation. Democratic centralism is an objective principle of management by joint owners of means of production who are at the same time joint producers. With democratic centralism, there is no contradiction between production and appropriation; it represents a solution of this antagonistic contradiction in management. As an economic category, democratic centralism reflects the relations of the associated producers in the management by them of their economy as a single entity.

Democratic centralism in the management of people's property arises along with the establishment of people's property. The proletariat and the poor peasants take state power into their hands and voluntarily organise and unite their efforts and the efforts of the whole nation directed to the building of the new society. The revolutionary transfer of the railways, factories, land and other means of large-scale production to the ownership of society as a whole at the same time establishes the required centralism. It is introduced not from above but from below, not by civil servants or the military, but by the working class and the working masses led by it. Hence, centralism brings with it economic democratism, which is not formal, not apparent, but genuine in its quality. "Won't that be the most consistent democratic centralism?"¹ Lenin asked.

The concept of democratic centralism relates to all manifestations of genuine collectivity. In the political economic sense democratic centralism means the *participation of all co-owners in the direct management of the means of production (not only material ones but also their labour re-*

¹ V. I. Lenin, *Collected Works*, Vol. 25, Moscow, pp. 429-30.—Ed.

sources), and centralised management, effected by a system of local and central administrative bodies set up by them. Naturally, centralised management is not only a matter of setting up central bodies. This is only the form taken by it. The main thing in economic democratic centralism is the objective need to co-ordinate the entire activity of the associated producers. Co-ordination for all—that is the essence of proletarian economic centralism, which thus organically includes proletarian democracy too.

The question was posed for the first time by Lenin. "Our task now," Lenin wrote, "is to carry out democratic centralism in the economic sphere, to ensure absolute harmony and unity in the functioning of such economic undertakings as the railways, the postal and telegraph services, other means of transport, and so forth. At the same time, centralism, understood in a truly democratic sense, presupposes the possibility, created for the first time in history, of a full and unhampered development not only of specific local features, but also of local inventiveness, local initiative, of diverse ways, methods and means of progress to the common goal."¹

The central administrative bodies are elected by representatives from the localities (for example, the deputies of the socialist parliaments), the representative bodies are accountable to the people, are under their control and their composition may at any time be changed.

"Democratic centralism," Lenin said, "means only that representatives from the localities get together and elect a responsible body, which is to do the administering."²

The central body of management to whom all members of society voluntarily submit does not enjoy any special privileges. The measure of democracy is identical for all, for those in the centre and those in the localities.

The following are the main functions of the central body managing the social economy: it *keeps account* of the common property and labour resources of the country and of their utilisation and of general and local requirements of society; it determines the leading trends in the economic activities of all members of society, *works out co-ordinated*

¹ Ibid., Vol. 27, pp. 207-08.—Ed.

² Ibid., Vol. 30, p. 465.—Ed.

national development plans which take into account general and local interests, thereby ensuring the growth of labour productivity on a national scale; it promotes *local economic initiative* and co-ordinates it with general interests; it *controls* the implementation of general planned targets as regards the required amount of labour and the distribution of output. This accounting and control is carried out not by bureaucratic but by democratic methods, with the active participation in it of the people.

The local bodies of economic management carry out the same functions and with the same methods within the limits of their jurisdiction, keep account of and control production, labour and distribution, bearing in mind not only local interests, but first and foremost those of society as a whole.

Democratic centralism rests on the active implementation of economic functions by the people. Only this can ensure an optimal relation between democratism and voluntary centralism. The form of management must therefore be simple, comprehensive to the broadest masses, flexible in its functions, ensuring the maximum effectiveness of joint management; it must strengthen centralism and develop local initiative, including that of every single workers' collective and every single worker.

The accounting and control on a national scale and the national economic development plans make the country's economy a single organic whole. Under socialism the people lend democratic centralism a *state form*, which embodies the unity of the economic and political administration of the country, a form which is historically essential right up to the triumph of full communism.¹

Lenin attached so much importance to the implementation of national accounting and control that he saw in it "the *essence* of socialist transformation, once the political rule of the proletariat has been established and secured."² Accounting and control are practised in everything, on a universal and mass scale, including the accounting and control of production, the amount of labour expended by

¹ Since the management of the national economy in socialist society is effected by state bodies, which in essence are bodies of the whole people, elected by them and fully accountable to them, this conception is hereafter assumed to be self-evident.

² V. I. Lenin, *Collected Works*, Vol. 26, Moscow, p. 410.—Ed.

the members of society, and the distribution of output. These are the main functions of the socialist method of management of the productive forces of society.

Concrete forms of management are worked out on the basis of democratic centralism. No single form can be eternal, it changes as the conditions of socialist society's economic life alter. At the same time a form once found cannot be changed *continuously*. This would only interfere with normal economic activity. The organisational form of management must be relatively stable, i.e., it should not change until it has exhausted its possibilities to the full, and until the conditions for the transition to new forms, corresponding to a new stage of economic development have been created.

Frequent restructuring of the organisational forms of national economic management can easily distort democratic centralism and interfere with the normal functioning of economic activity. Such frequent changes lessen the sense of *responsibility* of personnel and hampers the normal selection of expert organisers for the national economy. It should also be taken into account that the restructuring of national economic management, and hence of all the spheres of the economy, involves heavy expenditure. In approaching such reforms the efficacy of the changes proposed should be carefully calculated.

To gain a fuller understanding of the need for the establishment of methods of democratic centralism, let us ask the following questions: why are other methods of management of socialist property unacceptable? Why is it impossible, for example, to concentrate the management of means of production in separate production collectives, to charge them with managing their enterprises independently of each other, i.e., why should there not be a decentralisation of management? After all, the general meeting of the members of the workers' collective of an enterprise represents the most elementary form of the joint management of common property. Management in collective farms is effected in this way, since the general meeting of the collective farmers is the supreme managing body of the collective farm. (It should, however, be mentioned that this does not exclude but presupposes the need for a co-ordination of the activity of the farm with that of other farms in order to ensure centralised management of agricultural production

as a whole.) Since there can be no general meeting of all the people engaged in national production, would it not be feasible to authorise the collectives of individual enterprises to manage themselves?

This approach would be at odds with the essence of modern productive forces, i.e., with the social character of the production process. The economy of a socialist state is not the simple arithmetic sum of its individual enterprises, in which every single enterprise is an isolated economic unit, able to function independently of all others, but is a single *integrated* system, the separate parts of which fulfil definite partial functions within the framework of the whole. A complete transfer of economic management to the hands of individual workers' collectives would be an enormous step backwards in the development of society's productive forces. Even under capitalism, society has arrived at an all-sided interdependence of producers, albeit it is an antagonistic and spontaneous one. Yet, though this co-ordination of efforts is spontaneous on a social scale, modern productive forces would not be able to function without it.

Socialism (communism) replaces the spontaneous determination by market relations of the necessary proportions between the individual branches of production that characterises capitalism, and introduces deliberate planning of the economy on a social scale, based on scientific analysis. It is quite clear that the enormity of the tasks connected with the management and comprehensive co-ordination of the complexes of specialised enterprises, branches and whole economic regions, is entirely incompatible with a transfer of the function of management to the collectives of individual enterprises.

If the rights granted to managing bodies were to be limited to individual production units, this would inevitably put an end to public control and conscious regulation of key national economic problems, and would just as inevitably bring back spontaneous regulation of social production through the market with all the socio-economic consequences arising therefrom. Engels criticised Dühring's conception of a socialist system as a "federation of economic communes", showing that such a system would inevitably become responsible for the emergence of spontaneous competition between communes of different economic strength and open

the road to all the economic consequences arising from this and to an essentially capitalist organisation of labour. This thought was further developed by Lenin, who said that the aim of socialism was to make *all* the means of production the property of the *entire* people, but *not at all to make the vessels the property of marine transport workers and the banks that of the banking staff*. If people were to take such nonsense seriously, nationalisation should then be rejected because it would become ridiculous. We consider the aim of socialism to make the land and enterprises the property of the *Soviet Republic*.

In spite of the deeply-founded conclusions of Marxist-Leninist theory on the objective need for the management of socialist (communist) economy as a single whole, the idea of decentralisation of economic management still attracts the attention of some economists. They have even applied this method in some places. However, now even the experimenters are compelled to admit that excessive decentralisation of management harms the integrity of socialist economy, leads to an exaggeration of local interests and local parochial trends, to the revival of spontaneous, anarchic competition, placing production collectives—"economic communes"—in opposition to each other. In fact, such "experiments" are dangerous, since they can become responsible for the break-up of the relations of public ownership of the means of production.

Might it not then be sensible to apply centralised management in national economic management to the exclusion of other methods? Centralisation in production and management is an objective trend, and has undeniable advantages over decentralisation. But if made absolute, it can and does lead to negative results.

Excessive centralisation fetters initiative in the localities, makes it impossible to use socialist incentives to the full, or correctly to take account of the resources and requirements available in the centre and in the localities, and creates favourable conditions for the emergence of subjectivism in all economic trends and developments. This leads inexorably to economic trouble. In other words, such centralisation undermines the possibility and the will of the people to participate actively in the building of the new society, whereas without their active participation the building of socialism, let alone communism, is impossible. Thus, neither

complete decentralisation nor absolute centralisation can be employed as methods in the management of public, socialist production.

At the same time relations of public ownership cannot be implemented spontaneously, allowing clashing and mutually exclusive interests in workers' collectives. Neither ownership by the people nor by collective farms can tolerate such competition either within or between collectives.

Democratic centralism makes it possible to maintain and develop the positive aspects both of centralism and of decentralism (in the sense of promoting local initiative in economic management). It is possible to centralise economic management on a country-wide scale (later on the scale of the community of socialist countries), while excluding petty regimentation and ensuring local economic initiative.

By implementing democratic centralism, socialism realises the advantages of the centralisation of production and management, and also the advantages of unrestricted local initiative in the interests of all members of society. Democratic centralism is free of the one-sidedness of both centralism and decentralism as they are commonly understood. It creates a dialectical blend of the two which fosters the constant development of both, and their mutual transformation into one another.

The category of labour and aggregate labour power

Every able-bodied member of society participates directly in common labour. We have, therefore, a single social process of comradesly co-operation and mutual assistance. In this process the labour power of all members of society constitutes a single *aggregate labour power*.

The aggregate labour power of society is used by it in a conscious and organised way first for productive purposes, then for the distribution of the output of production, and also for other social needs not connected with the production and distribution of material (or spiritual) values (for example the need to maintain public order).

The total socially useful labour of socialist society is divided objectively into two parts: *productive* labour and *non-productive* labour. Marx considered the question of the

difference between productive and non-productive labour a central question of political economy. Naturally, Marx did not and could not give an exhaustive solution to this question as applied to socialism, but his detailed analysis of it in capitalist conditions contains very important methodological principles for an approach to its solution in other socio-economic formations. These must be taken into consideration in an analysis of socialist production relations. Let us, therefore, briefly consider the principles underlying the distinction between productive and non-productive labour under capitalism.

The first essential condition for productive labour is that it must ensure the *subsistence of the working individual*. Marx calls this the absolute criterion of productive labour. He said: "If a day's labour only sufficed to keep the worker alive, that is, to reproduce his labour-power, speaking in an absolute sense his labour would be productive because it would be reproductive; that is to say, because it constantly replaced the values . . . which it consumed."¹

However, this condition is insufficient for a full definition of productive labour. If every individual were to consume everything he produces, human society would be unable to exist. However, since labour as a specifically human activity is possible only within and through the medium of society, labour itself would be impossible if it did not reproduce its own essential conditions.

Human labour, always beginning with the conditions created by preceding labour activity, must leave after itself material conditions for the continuation of the labour process by coming generations. Labour must ensure the existence and continuation of the human race, i.e., the able-bodied members of society must produce consumer articles for the non-able-bodied members of society. Labour must reproduce the conditions for the functioning of the social system within which and owing to which it is carried on. Every socio-economic formation is a special system of social connections and conditions outside which human labour is conceivable only as an empty abstraction but not as a real activity. There is no labour in general, there is only the labour of the primeval savage, the labour of the slave, the

¹ K. Marx, *Theories of Surplus-Value*, Part I, Moscow, 1963, pp. 148-49.—Ed.

labour of the serf, the labour of the wage worker, the labour of the worker in socialist society free of exploitation. It follows that in every formation productive labour is the labour which reproduces the conditions for the further existence of the given social structure. It thereby also reproduces the conditions for its own continuation as an historically definite type of labour.

For labour to be able to fulfil this function, it must produce a surplus of output which exceeds that used by the worker himself. Speaking of labour productivity, Marx pointed out that productive is the worker whose work produces value; he does "not only replaces an old value, but creates a new one . . . materialises more labour-time in his product than is materialised in the product that keeps him in existence as a worker."¹ A wider definition of productive labour under capitalism is its definition as wage labour "which, exchanged against the variable part of capital (the part of the capital that is spent on wages), reproduces not only this part of the capital (or the value of its own labour-power), but in addition produces surplus-value for the capitalist".²

In the light of this definition it might seem that productive labour can exist only in the branches of production creating surplus value. However, the complex mechanism of the transformation of surplus value into average profit gives rise to a state of affairs in which all labour yielding profit (irrespective of whether it produces real surplus value or only helps the capitalist to appropriate part of the surplus value created by the aggregate worker) is productive labour, since it reproduces capitalist production relations.

Essentially, the definitions of productive labour under capitalism given above apply also to all non-capitalist socio-economic formations, including socialism (communism), *once the capitalist "shell" is "removed" from them*. The "removal" of the capitalist shell from some of the phenomena of capitalist socialised production is an important method of politico-economic research. *"The vulgus is unable to conceive the forms developed in the lap of capitalist pro-*

¹ K. Marx, *Theories of Surplus-Value*, Part I, Moscow, 1963, p. 149.—*Ed.*

² *Ibid.*, p. 148.

duction, separate and free from their antithetical capitalist character."¹

Marx used this method repeatedly and specially remarked on its importance for looking into the future, that is, not into capitalist but into socialist society (which, since it is based on public ownership of the means of production, develops socialised production and distribution).

"Assuming," Marx said, "that no capital exists, but that the worker appropriated his surplus-labour himself—the excess of values that he had created over the values that he consumes. Then one could say only of this labour that it is truly productive, that is, that it creates new values."²

Hence, within every formation productive labour is determined in a specific way, since within the formation the labour that is productive reproduces the material conditions for the continued existence of the dominating production relations. "These definitions," Marx emphasised, "are therefore not derived from the material characteristics of labour (neither from the nature of its product nor from the particular character of labour as concrete labour), but from the definite social form, the social relations of production, within which the labour is realised."³

Thus, in Marx's definitions of productive labour there is an element which is important for all formations. This element preserves its importance for socialist production relations. But at the same time there should be a definition of productive labour that applies only to such labour under socialism. We may therefore say that productive labour under socialism is that labour which reproduces and expands the material conditions for the existence and development of the labour power of the associated producers and the socialist relations of production; this is the labour of the aggregate labour force of the associated producers creating the product and surplus product for the satisfaction of the expanding social and personal requirements of all the members of society, and bringing that product to the consumer.

Under socialism, direct productive labour is not only

¹ K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 387. Author's italics.—Ed.

² K. Marx, *Theories of Surplus-Value*, Part I, Moscow, 1963, p. 149.—Ed.

³ *Ibid.*, p. 153.

labour applied directly to objects of labour, but includes the labour of the organisers of production, research workers, designers, the labour needed for the training of personnel, etc.

Part of the aggregate labour force of socialist society is engaged in non-productive labour. This does not mean, however, that the people engaged in this labour are engaged in work that is of no use to society. Even though non-productive labour does not manufacture material wealth or products needed by society it is no less needed by society than productive labour. This is the labour of office workers, sales personnel and similar workers. Their labour saves the labour of productive workers, frees them of the necessity to engage in the non-productive but socially necessary operations of accounting, distribution, etc. This saving is obtained by the concentration of such jobs and, hence, by the use of a smaller amount of labour to perform them.

Productive labour is measured by labour productivity, or by its productive *power*, i.e., the degree of its effectiveness during a given period of time. Labour productivity is measured by the amount of products created by useful, concrete labour per unit of time. *The more products are produced per unit of time, the higher is the labour productivity (the productive power of labour).*

The productivity of non-productive labour is determined in the same way. It is also measured by its effectiveness, that is, by the fulfilment during the given working time of a certain volume of work. Lenin adopted as the true measure of the productivity of labour in institutions "the degree of the effective and immediate execution of all the affairs being handled by it".¹ This should exclude red tape, buck-passing, and so on. However, in socialist economic practice the actual measuring of the productivity of this type of labour is the exception rather than the rule.

Division and distribution of labour

The aggregate labour power of the joint owners of means of production can be used by them only as an aggregate power, in accordance with general economic requirements.

¹ V. I. Lenin, *Complete Works*, Russ. ed., Vol. 54, Moscow, 1965, p. 101.—Ed.

The economy, on the other hand, is divided into as many industries as many kinds of material wealth are produced. Their production requires specialised labour. The members of society must therefore divide their labour into specialised branches.

First and foremost social production is divided into such large types of activity as agriculture, industry, transport. Marx called this division of labour the *general* division of labour.

Then each type of production is in turn divided into branches: agriculture into crop and livestock farming and forestry; industry into the extractive and manufacturing industries; transport into land, marine and air transport. Each of these branches is broken up into sub-branches, for example crop farming into grain, industrial crop and melon cultivation; the extractive industry into fuel and mineral (ore and non-ore) extraction; land transport into motor, railway and pipeline transport. The sub-branches are in turn divided into sectors (the fuel industry into the coal, slate, peat, gas, oil and other industries), and sub-sectors (coal into anthracite, coke and other derivatives). This division of labour Marx called the *particular* division of labour.¹ Generally, all the units of this division are known simply as branches (or sectors).²

Socialist society consciously divides its aggregate labour force among the branches, sectors, sub-sectors, etc., of the economy. This division is carried out in keeping with the principle of democratic centralism. The members of socialist society apply their labour where it is most necessary to promote the general interest of social production. The need for this is explained to them by the Party, the vanguard of society.

Social labour is divided to a varying degree in all socio-

¹ In addition to the division of labour within society, labour is also divided within the enterprise. Marx called this division the *singular* division of labour.

² In recent years the concept "branch" is more and more frequently applied to any part of industrial activity which is administrated separately (by a Ministry), although in actual fact several different production sectors may be incorporated in it. Soviet economic science has given far too little attention to the clarification of these terms, even though they are important to a description of many real problems connected with the division of labour.

economic formations. But every formation leaves its particular mark on that division.

Modern machine production makes it both possible and necessary, and under definite conditions also practically realisable, to eliminate the spontaneous commodity-capitalist division of labour. In bourgeois society the translation of this possibility and necessity into reality on a social scale is opposed by capitalist appropriation and the use of machinery and labour in a way corresponding to it.

With the development of machine production, more and more skilled people are needed to operate the highly sophisticated machinery; knowledge merely of how to switch on a machine and to feed in the material being processed (that is, primitive skills) becomes clearly insufficient.

Automated production requires that even rank-and-file workers receive a specialised education. In capitalist production, the number of "trained workers", who in actual fact know only how to press push-buttons on a machine's switchboard, is steadily growing. The distinction is becoming sharper between large, advanced, modern enterprises and lesser ones which continue to use outmoded equipment and production techniques and have become only backward appendages exploited by the monopolies. Hence, the thought expressed by Engels that "the capitalist mode of employment of machinery necessarily perpetuates the old division of labour with its fossilised specialisation, although it has become superfluous from a technical standpoint",¹ is just as relevant today.

People whose horizons are limited by life-long restriction to narrow, special professions are not able to manage modern social production. Modern machine production requires a labour force possessing high skills, i.e., people with deep, special knowledge and broad horizons—preventing them from becoming living appendages of machines; machines must rather become appendages of people who have the ability to manage creatively complex machine technology in their common interests.

Only this will make it possible to attain the high labour productivity needed by socialist (communist) society. *It is essential for the new society that the average skills of the workers approach as closely as possible the modern level*

¹ F. Engels, *Anti-Dühring*, Moscow, 1959, p. 407.—Ed.

of the development of science and technology, making it possible to use machinery creatively and to improve on it.

Practice has shown that socialist, socialised production requires more and more people who are able to design complex machines capable of raising social labour productivity, and workers to control such machines. Naturally this is not a task that can be solved overnight. But it is an objective requirement of communist production. That is why the first phase of communist production—socialist society—is directly interested in the all-round development of all members of society, in a high general level of knowledge and skills (something that is also necessary for the extensive implementation and development of the principles of democratic centralism).

The all-round development of the personality of every member of society is the basis for the growth of labour productivity, the basis ensuring the reproduction of workers able to plan and execute jobs, to engage in mental and physical activity, in short, to handle jobs of every description with the greatest efficiency. At the same time it also helps to overcome the former spontaneous division of labour, which the new society inherits from the old capitalist society.

Under socialism the division of labour becomes increasingly a conscious, planned *distribution* and redistribution of the labour force, effected with the voluntary agreement of the working people (in accordance with common requirements and common interests) and which to an ever greater degree takes into account the individual inclinations and abilities of each. To implement such a division of labour, the consciousness of all the joint owners of the means of production must be highly developed. This development is ensured by social conditions (the force of example), and by the educational activity (the force of persuasion) organised and directed by the Communist Party—the most active section of the associated producers, the recognised leader of the whole people.

An analysis of the process of the exchange of activity between associated producers makes clear the dialectical character of the direct participation by every able-bodied member of society in common labour. The direct participation of all able-bodied members of society in common labour is a *duty* and at the same time an expression of the *freedom*

of labour of all the members of society. The owners of the means of production are naturally obliged to participate in common labour. But this duty is not imposed on anyone in a forcible way (although coercion is practised with respect to some people who do not want to work but strive to lead a parasitic existence at the expense of others, and thus become a burden on society). The direct participation of all able-bodied people in common labour is essentially the natural duty of the co-owner of the means of production, an essential function which he performs voluntarily. In the early stages of the development of the communist formation, this essence of its relations of production is not expressed in a pure form. It is still stamped with the "birthmarks" of the old society from whose womb it emerges. But the whole system of social life under socialism is directed at removing these birthmarks and at developing the essence of the social relations engendered by the domination of public ownership of the means of production.

The direct participation of all able-bodied members of society in common labour is an expression of the co-ordinated, *conscious social distribution* of labour and at the same time of the conscious *individual choice* by every person of a field of employment; it is also an expression of the high *specialisation* of workers and at the same time of the *all-round* development of the personality of every member of society. Social distribution becomes individual free choice in accordance with common, consciously realised requirements. The high specialisation of workers today is a result of their all-round development, without which it would be impossible to discover their true vocation and to mobilise their creative powers to the utmost. The all-round development of the personality becomes a condition for a deep understanding by the worker of the work he is doing, for its elevation to a level where it becomes a creative activity and a source of pleasure.

In this dialectic quality the labour of every member of society directly participating in common labour becomes *directly social* labour. As in socialist society labour is not transformed into a commodity—labour power—is not sold by the worker to the owner of the means of production opposing him, the worker exchanges his abilities with all the participants in common labour in a co-ordinated way, his labour remaining in the concrete form in which it is

carried on. In socialist society everybody works for a definite, known "market", for a single "consumer", that is, for himself as a joint owner of all the material wealth being produced by all of society. But some modern economists nevertheless maintain that under socialism the labour of the joint owners of the means of production has not yet fully matured, has not yet fully developed into directly social labour. In the attempt to substantiate this view, they say that social recognition is extended only to labour embodied in commodities which correspond to socially necessary expenditure and to social requirements. These economists confuse the qualitative characteristic of the labour of associated producers with its quantitative measurement. They do not take into account the fact that the labour of the joint owners of means of production is free of exploitation, is organised in a planned way on a social scale, is carried on in conditions which differ radically from the conditions of labour based on private ownership of the means of production, and that this makes it *directly social in quality*.

From the *quantitative* point of view, directly social labour (as distinct from concrete labour) cannot be expressed in terms of individual labour time. *Since it is social it can be expressed quantitatively only as socially necessary labour time*. This division of workers' directly social labour under socialism into *concrete* and *abstract* labour is inherent not in the essence of their relations but only in the *existence*, i.e., in the outward manifestation of these relations. In commodity-capitalist society the labour of the commodity producers is divided into two in its *very essence*, because individual labour cannot express its social nature directly. *In the communist formation the social basis for such a division ceases to exist*. The labour of associated producers, having a directly social nature, is divided in the sphere of existence, since society is able to keep an account only of that labour expenditure which corresponds to socially necessary expenditure. This persists under full communism, for under that formation, too, individually and socially necessary labour time cannot be identical. This state of affairs is not changed by the transition to the mode of distribution on the principle of "to each according to his needs", since the absence of identity between individually and socially necessary labour time relates not to the sphere of distribution but to the sphere of production. In

the socialist stage, the abstract expression of directly social labour is mediated by value, whereas at the communist stage such mediation will be redundant. Thus, technically the amount of labour expended can be computed directly in terms of labour time, though *not in individual labour time but only in socially necessary labour time* (which is consciously established by society by reducing the former to the latter). Without reducing individual labour time to socially necessary labour time there can be no co-ordinated economic management. At the same time it makes no difference what generalised designation is given to this social unit of measurement.

Aggregate social product and the categories of its distribution

The category of public ownership of the results of the joint labour in its general form also fails to reveal all the wealth of the relations of distribution under socialism. An analysis of these relations shows that the results of the common labour of the joint owners of the means of production first assumes the form of the *aggregate social product* or the *gross product* of their common labour. The gross product is made up of: a) the product which compensates for the means of production used up in the process of production; b) articles of consumption for the workers; c) articles of consumption for the non-able-bodied members of society; d) additions to the means of production and consumption.

The part of the gross product remaining after the deduction compensating for the means of production used up in the process of production is called the *gross or national income*. Unlike in a bourgeois society, under socialism the national income is really the income of the whole nation, of the entire people.

In socialist society the national income is divided into the *consumption fund* (fund of articles for personal consumption) and the *accumulation fund* (fund for additional means of production). In the U.S.S.R. the consumption fund accounts for more than 70 per cent of the national income. In 1961, 108,500 million rubles were used for consumption, while 42,700 million rubles went to accumulation and other expenditure.¹

¹ See *Narodnoye khozyaistvo SSR v 1961 godu*. Statistical Yearbook, Gosstatizdat, 1962, p. 599.—Ed.

The national accumulation fund in socialist society is appropriated not by individuals but by the whole body of the joint owners of the means of production. It is used by the socialist producers jointly and directly for the continuous expansion of social production. It is just this that makes the accumulation fund under socialism differ from that same fund under capitalism, where it exists and is used in the interests of capitalists.

The national consumption fund is appropriated by the members of socialist society for their subsistence. Under socialism the consumption fund is used in an organised manner to satisfy the personal requirements of the members of society. The specific feature of personal income under socialism is that *it can never be used for the acquisition of means of production, for the exploitation of other people's labour.*

The consumption fund is distributed among all the members of society through the public trading network or in a directly social way. Both in the first and in the second case, if we regard the phenomenon in its pure form, there can be no *spontaneous, individual exchange of products.* In practice, however, such spontaneous individual exchange continues to exist under socialism, but it is essentially not a result of the relations of public ownership. This exchange is typical only of the commodity-capitalist mode of production and distribution.

In the first stage of the development of communist society the consumption fund is in its turn subdivided into the sub-group of articles of consumption going to the trading network or the *market stocks of paid consumption*, and the sub-group of *non-market* realisation or the *social fund of free (non-paid) consumption.*

The individual share of every worker in the market stocks of paid personal consumption is determined under socialism by the quantity and quality of the labour contributed by him to the common pool of labour. Generally it assumes the form of the *wages* of workers and the *incomes* of collective farmers, which are the main forms of the personal incomes of members of socialist society.

The source of the wages of workers, and of the incomes of collective farmers, is above all else the product created and realised by each individual workers' collective. The product of each workers' collective is part of the gross so-

cial product, and the latter is the source of all the incomes of the members of socialist society.

In determining the share of each member of society in the social fund of free consumption, due account is taken of his needs as regards education, public health services, children's institutions and other similar requirements. His share does not depend directly on the quantity and quality of the labour personally contributed by him.

The political economy of the communist formation in the socialist phase also derives from the reality of socialist relations such categories as *commodity*, *money*, *commodity and money circulation*, etc. But these are not products of socialism but have been inherited from the preceding social formation. Under socialism social production has a commodity nature. The categories "commodity", "money", etc., even though they have been assimilated by socialist society from the preceding formation, assume specific features which they did not possess in the past. The commodity in socialist society is an object produced for co-ordinated planned exchange between the joint owners of the basic means of production (who participate in common labour by expending their directly social labour on its production). Money can no longer be transformed into capital. The circulation of money and commodities has lost its spontaneous character and the ability to lead to uncontrolled economic development fraught with the danger of catastrophe. The spontaneous power of supply and demand is increasingly curbed by the planned accounting of requirements and the appropriate development of the productive forces, etc.

The above enumerated categories do not cover all the aspects, forms and methods of socialist management which together comprise the internal economic structure of socialist society. The political economy of socialism formulates many other categories reflecting the economic relations of socialist society.

Political economic categories are needed by society not for their own sake. They serve social practice by reflecting the nerve centres of economic life and, ultimately, the entire internal economic structure of socialist society. Knowing, for example, the content of the category "public ownership of the basic means of production", its place in the internal economic structure, and its decisive importance

to the life of socialist society, the Communist Party is able to direct the efforts of all members of society, consciously and in a planned way, to strengthening, improving and accumulating public property. To take another example, knowing the content of the category "socialist division of labour", society is able to distribute its aggregate labour force in a way which enables it to achieve the best results in production in a conscious and co-ordinated manner, in keeping with social labour requirements and the personal strivings of its every member. Developing social production, society raises agriculture to the level attained by industry, thereby eliminating step by step not only their antithesis but the essential distinctions between them, without which the collectivity of associated producers would be unable to consolidate itself. By ensuring the mastery by all workers of science and production techniques, and promoting the all-round development of the personality of everyone, society gradually abolishes the distinctions between mental and physical labour, etc.

The cognition of economic categories does not complete but only begins the study of the subject-matter of political economy. Lenin wrote: "...if we are to have a true knowledge of an object we must look at and examine all its facets, its connections and 'mediacies'. That is something we cannot ever hope to achieve completely, but the rule of comprehensiveness is a safeguard against mistakes..."¹

¹ V. I. Lenin, *Collected Works*, Vol. 32, Moscow, p. 94.—Ed.

Chapter Two

THE LAWS OF THE POLITICAL ECONOMY OF THE COMMUNIST FORMATION AS A WHOLE

The derivation of economic categories is only the first step in a study of relations of production. The next and even more difficult step is the discovery of objective laws governing economic relations. This is the main task of political economy. Speaking of its content, Engels pointed out that political economy "is the *science of the laws governing the production and exchange of the material means of subsistence in human society.*"¹

What are economic laws? By economic laws we understand the *essential, recurring, persistent, objective inter-relations and causal connections in economic phenomena, without which the given production relations cannot and could not exist as a unity.*

The scientific cognition of economic relations calls for the elucidation of these connections in the economy, the discovery in it of opposites in unity and development determining economic progress. This discovery raises the cognition of the essence of the phenomena being studied to a higher stage. "... The concept of *law*," said Lenin, "is *one of the stages of the cognition by man of unity and connection, of the reciprocal dependence and totality of the world process*"² (in our case—the economic life of society).

Economic categories and laws

The second stage of cognition—the discovery of laws—is naturally not isolated from the first. This is not only because the categories and the laws of political economy

¹ F. Engels, *Anti-Dühring*, Moscow, 1959, p. 203.—Ed.

² V. I. Lenin, *Collected Works*, Vol. 38, Moscow, pp. 150-51.—Ed.

reflect the essence of identical phenomena, or because every scientific law, as a logical generalisation of reality, is essentially also a category. To deduce an economic category we have to isolate the phenomena being reflected by it from others. This cannot be done without revealing, even if in a most general way, the connections of the phenomena. Some of their interdependencies and connections become evident in the process of singling out categories. In other words, categories, revealing the structural sequence of economic relations, already furnish the basis for a logical reflection of the essential causal connections and interdependencies comprising the content of objective economic laws. Categories of reason, as Lenin noted, are "an expression of laws both of nature and of man".¹

The cognition of economic categories not only precedes the discovery of laws but is continued in the process. It can therefore be said that economic categories and laws are not so much separate stages, as two aspects of the single process of cognising objective reality.

Economic categories, as logical reflections of the economic structure of society, leading the investigation up to the discovery of the causal connections and interdependencies of reality, potentially reflect also the relevant laws. Without it they would not be scientific categories.² Thus, for example, the category "socialist ownership" potentially reflects the basic economic law of socialism; and the category "co-ordinated national economic management"—the law of planned, balanced economic development. The category "productive labour under socialism" (as a category generalising the definite social relations of the joint owners of the means of production) potentially reflects the law of the steady growth of labour productivity, etc. In short, laws are revealed through categories.

To a varying degree of accuracy the laws of political economy reflect *essential economic causal connections and interdependencies*. As a result we have, in a sense, two orders

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 91.—Ed.

² Abstract concepts made by common sense do not reveal the essence of the phenomena they reflect. For example, common sense makes the abstraction "money as such". This abstraction does not tell us what money is, about its nature, its place in economic relations, the laws of its movement, etc. Such abstractions are not scientific categories.

of essentially identical laws: those of objective reality, and their reflection in the mind. The laws of the second order, abstracted from the real world, acquire the semblance of independence and can under certain conditions "become divorced from the real world, and be set up against it as something independent, as laws coming from outside, to which the world has to conform".¹

The nature of economic laws

It is in this connection that the question of the nature of laws arises, whether they are objective, i.e., independent of the consciousness and will of people, or subjective, i.e., dependent on consciousness. This question is particularly important when we consider economic laws, for it is comparatively easier to establish the objective nature of natural laws than that of the laws governing social relations.

For political economy the question of the nature of economic laws is the main methodological question because it decides the fate of political economy as a science.

The classics of bourgeois political economy recognised the objective nature of economic laws. True, they used a naturalistic approach, i.e., identified social laws with natural laws. However, even a recognition of the objective nature of economic laws in this simplified form ran counter, at a definite stage of the development of capitalist society, to the interests of the bourgeoisie. As soon as the contradiction between its class interests and the cognition of truth became evident, the vulgar economists came out in opposition to the scientific thesis of the classics of bourgeois political economy on this question. Karl Marx, Frederick Engels and subsequently Vladimir Lenin took up the defence of the thesis of the objective nature of economic laws advanced by the classics. Censuring bourgeois economists, who, using Marxist phrases, attacked the objectivity of economic laws, Lenin wrote: "It is a downright falsehood to say that the idea of natural law is bankrupt in political economy, and that it is 'indecent to speak of it'. On the contrary.... To say that the 'natural law' of the classics is 'ethically discredited' as being a bourgeois apologia, is sheer nonsense. It means distorting both the classics and 'materialist

¹ F. Engels, *Anti-Dühring*, Moscow, 1959, p. 59.—Ed.

historicism' in the most flagrant manner. For the classics sought and discovered a number of capitalism's 'natural laws'..."¹

Most modern bourgeois theoreticians deny the objective nature of economic laws. Many of them deny even the possibility of their existence. The well-known Italian idealist philosopher Croce, for example, asserted that economic laws do not reflect real life, that they are tautological and random and cannot be corroborated. Every individual, he said, differs from the other, and at every moment of his life wills in a new and different way, and acts accordingly; and his volition and actions cannot be compared even with his own identical will and actions at different times, let alone with those of others.

When modern bourgeois theoreticians do use the term "objective" with respect to economic laws, they take it to mean the unpredictability of the behaviour, nature and psychology of man. They thus relegate the content of the term "objectivity" to the consciousness and will of man. For example, J. M. Keynes, the English bourgeois economist, regarded economic laws as psychological. A. Weber, the German bourgeois economist, and many others regard the law of value only as an expression of consciousness. The U.S. economist Ludwig von Mises maintains that economic life is subordinated not to the law of causation, but to the law of expediency, determined by human will.

In modern conditions, at a time when a struggle is being waged between the two socio-economic systems, some bourgeois economists who realise the absurdity of "economic solipsism", return to the naturalistic interpretation of the objectivity of economic laws. Thus, Carlo Antoni, a prominent Italian bourgeois economist writes: "A recognition of the reality of economic laws is tantamount ... to a recognition of the irresistibility of man's economic 'nature', which ... is a factor or vital element of his nature."²

These subjectivist positions, both of those who recognise and those who deny the objective nature of economic laws, are easily explained. They are an expression of the crisis of bourgeois political economy, of its striving to conceal the "irrevocable determinism of history", leading inexor-

¹ V. I. Lenin, *Collected Works*, Vol. 20, Moscow, p. 197.—Ed.

² C. Antoni, *Some Considerations on Economic Laws*, New York, 1956, p. 135.—Ed.

ably to the doom of the capitalist mode of production and the triumph of socialism.

For the political economy of socialism, the recognition of the objective nature of economic laws acquires particular importance, because the conscious, co-ordinated activity of the members of society is an essential condition of economic life under socialism.

Failing to understand the correlation of the objective and the subjective in socialist society, some economists came to regard the economic laws of socialism as laws established by the will of people, by the will of the state. Such a voluntaristic interpretation may result in an alienation of the management of the social economy from its objective base, leading to economic adventurism, and ultimately to upheaval throughout the economy.

There are other economists who assert that in a socialist economy only economic connections operating spontaneously can be regarded as laws. Laws which are expressed through the conscious activity of people cannot be considered objective laws, they say, because they are (as Peter Erdős, a Hungarian economist, once said) "generalisations of no use to anybody"¹. Such an interpretation is fraught with the danger of subordinating socialist economy to the laws of commodity-capitalist relations and hence depriving it of its socialist content.

Dogmatists and revisionists disregard the question of the nature of laws and only consider the question of their manifestation and operation. Admittedly, economic laws manifest themselves through the actions of people and differ in this from the laws of nature. In some conditions laws operate spontaneously, in others they are consciously applied by people. But *it is not the manner in which a law operates—spontaneously or not—that determines the nature of economic laws, but whether they depend on the consciousness and will of people or not.*

A variety of the dogmatic and revisionist views propounded on this question is the assertion by some economists that socialism has no internal economic laws, since, they maintain, socialist society manages its economy according to plan. The champions of these views consider that under

¹ See the article by Peter Erdős in the journal *Közgazdasági Szemle*, No. 6, 1956.—Ed.

capitalism economic laws operate because under that system there is a distinction between the intentions of "economic man" and the actual results of the economic process.¹ Socialism, they maintain, should be concerned only with scientifically establishing economic effectiveness. Those, they say, who strive to cognise economic regularities and laws, identify economic laws with natural laws.

It would be a waste of time to ask these economists on what a scientific computation of the national economic effect might be based. Their reasoning shows clearly that it is based neither on natural nor on economic laws. Hence the basis can only be "scientific arbitrariness", or the will of people. Conscious economic activity on a social scale, they believe, already excludes all laws. In this sense they regard laws as standing above people, moreover, as being excluded from relations of production, since people dominate these relations.

Marxist-Leninist political economy has proved scientifically that there are, were, and always will be economic laws. They never did, do not and never can depend on the consciousness and will of people, even though they manifest themselves through the conscious activity of people. Economic laws are objective, as are also the relations of production, the essential connections of which they represent. Paraphrasing Engels's famous proposition, we can say that dialectical economic laws are inherent in production relations and can be evolved only from them.²

The necessity for the existence of relations of production in their entirety, with all their aspects, forms and interconnections, is not rooted in people's consciousness or will. It is the natural need of people to produce means of

¹ "Socialism," writes, for example, Eugen Löbl, the Czechoslovakian economist, "is a higher stage of development because having done away with profit as the main and decisive motive of economic activity under capitalism, we have abolished the blind action of laws and have created a society we can manage. In the measure to which we are able to cognise this advantage of socialism, we shall be able to use it. In the measure to which we are as yet unable to do it, a certain part of socialist economy will develop independently, even against our will, and in this part it is essential to speak of 'laws' and 'regularities' which are, however, an expression not of the immanent features of socialist economy, but of our limited possibilities." (*Hospodarske noviny*, No. 46, 1963).

² See F. Engels, *Anti-Dühring*, Moscow, 1959, p. 19.—Ed.

consumption and means of production, which they do inevitably in and through society. *In the process of living, and in order to live, people will always produce the means of consumption and the means of production they need to ensure their livelihood, and in order to do this will always enter into relations of production.*

The type of the relations of production depends on the level of development attained by the productive forces of society. Thus, the level of modern industry, the social character of modern production, and the need for planned distribution of labour, objectively demand socialist relations of production in order to ensure the further development of the productive forces and the ever fuller satisfaction of the needs of all members of society.

The production relations of people express the *natural historical necessity of social production itself*, which exists outside of man's consciousness and does not depend on his will. All the essential connections comprising this necessity constitute, when taken together, the *objective material laws* of society's economic life. Marx, for example, gave the fullest credit to the physiocrats for seeing the bourgeois forms of society "as physiological forms of society: as forms arising from the natural necessity of production itself, forms that are independent of anyone's will or of politics, etc. They are material laws. . . ."¹

Economic laws express the simple fact that production relations, as a form of the development of the productive forces, exhibit definite, constant, repeating causal connections and interdependencies, conditioning the self-movement of these relations. All objective economic laws taken together express this essence of the relations of production. As Lenin noted, "*law and essence* are concepts of the same kind", and "law is the reflection of the essential in the movement of the universe".²

The scientific proposition that economic laws are inherent in the relations of production as a form of the development of the productive forces states that the objectivity of the laws is rooted in the development of the productive forces. It is only by proceeding from the demands and requirements of modern productive forces that we can show what type

¹ K. Marx, *Theories of Surplus-Value*, Part I, Moscow, 1963, p. 44.—Ed.

² V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 152.—Ed.

of production relations meets these demands and hence also the interdependencies inherent in these relations. Speaking of the economic laws of socialism, Engels directly connected the emergence of these laws with that of modern productive forces.

"With this recognition, at last," he said, "of the real nature of the productive forces of today, the social anarchy of production gives place to a social regulation of production upon a definite plan, according to the needs of the community and of each individual."¹

This does not mean, of course, that economic laws are simply the laws of the productive forces, as the mechanists asserted. The laws of production relations are not identical with the laws of the productive forces. A machine, for example, is in itself not an economic relation (i.e., a relation between man and nature), and the laws governing the operation of machine tools are studied by the technological sciences. However, the *use* of machines, as noted by Marx, is an economic relation and the laws governing their use are therefore economic laws. Under socialism the use of machines is a genuine relation of the intercourse between the joint owners of the means of production. The political economic concept of "the utilisation of machines" reflects this real relation, since as Marx and Engels noted, from the methodological point of view, "the category of 'utilisation' is first of all abstracted from the actual relations of intercourse which I have with other people".²

Yet, all this does not mean that economic laws are just laws of production relations, as was asserted at one time, for example by Rubin's followers, who attempted to revise Marxist-Leninist economics from idealist positions. What do production relations in isolation from productive forces mean? It is a form without content, an abstract concept, like juridical relations. Hence, these economists in fact reduce economic laws to juridical laws, elaborated and implemented according to the will of people. This is clearly voluntarism in economics.

It is only in indissoluble connection with the relations of production and the productive forces determining them, that the objectivity and material nature of these relations,

¹ F. Engels, *Anti-Dühring*, Moscow, 1959, pp. 385-86.—Ed.

² K. Marx and F. Engels, *The German Ideology*, Moscow, 1964, p. 450.—Ed.

and hence also of the essential causal connections and interdependencies forming economic laws, can be apprehended.

Economic laws are always laws of the relations of production as a form of the development of the productive forces. These laws emerged along with human society, with the emergence of relations of production, and they change with their development. This distinguishes economic laws from natural laws, which are eternal and immutable.

Specific and general economic laws

Every system of social production has its *special* or *specific* economic laws, characterising every stage of socio-economic development. It is these laws that political economy studies first of all.

Socialism (communism), like all other socio-economic formations, possesses a whole system of specific economic laws. This is due to the fact that socialist (communist) production relations incorporate many different spheres, processes (conditions, forms and methods of economic management) having their own specific causal connections. Each sphere and each process is in its turn divided into component parts, each of which also has definite connections operating only within these subdivisions. Hence, the sphere of production and the sphere of distribution, as also the process of reproduction, taken individually, do not embrace just one, single law, exhausting the whole essence of the relations of the given process, but there are as many of them as there are special, component parts making up this sphere or process. At the same time socialist (communist) production relations contain also such interdependencies and causal relationships which are needed for a combination and even for the whole aggregate of the spheres, sides and processes comprising it.

Such a multiplicity of economic laws is objectively inevitable, since the essence of production relations is both multiform and multistaged. It should be noted in this context that we are dwelling here on the stages expressing the essence of economic phenomena, and not general places or truth of a commonplace, almost axiomatic nature, which E. Dühring, for example, designated as laws.¹

¹ See F. Engels, *Anti-Dühring*, Moscow, 1959, p. 304.—Ed.

Every single sphere, stage, every single process or their parts should be singled out from the sum total of the given relations of production, and the economic laws inherent only in it and in it alone should be considered. Every given law is always a law of definite relations, of definite objective processes or of combinations of these processes. For this reason the content of *the specific economic laws of socialism is the essential, constant, objective interdependencies and causal connections in individual economic spheres and processes and their combinations, without which these spheres and processes could not exist or develop either separately or in combination.*

Some economists are afraid of the multiplicity of economic laws and therefore attempt to reduce the number of general propositions to a minimum, preferring mere descriptions of economic phenomena. If we were to follow this line, we could, for example, reduce all the laws of the capitalist economy to the law of the production of surplus value, and save ourselves the trouble of studying the many other constant connections which go to determine the processes of the formation of profit, interest and rent. Or, having discovered the division of capital into its constant and variable parts, why should we bother to look further into the division of capital into fixed and circulating capital and attempt to elucidate the laws governing their movement?

Karl Marx, when studying the various economic relations, repeatedly formulated the causal, functional and quantitative connections typical only of them, and called them laws of this or that particular relation (for example, the law of money circulation).¹

The specific laws of socialist economy (as those of any other) do not and cannot substitute for one another; on the contrary, each of them expresses only definite dependencies and causal connections within the system of the relations of production.

This does not mean, however, that the specific laws are isolated from each other; they are closely, dialectically interconnected and supplement one another, for in their totality they express an identical mode of production and distribution of material wealth.

¹ See K. Marx and F. Engels, *Collected Works*, Russ. ed., Vol. 13, pp. 88, 89, 103, 104, 105.—Ed.

Bourgeois economists, distorting the scientific understanding of the objective character of economic laws, arbitrarily declare that economic laws are the same at all stages of social development, and are in this sense eternal. The classics of bourgeois political economy first made this assertion when they declared that the laws of capitalism discovered by them were eternal. This view was one of the greatest errors inherited from them by the vulgar economists. Lenin, while defending the view of the classics regarding the objectivity of laws, at the same time remarked on this error. He said: "... the classics sought and discovered a number of capitalism's 'natural laws', but they failed to understand its transitory character, failed to perceive the class struggle within it."¹

Modern bourgeois theoreticians also proclaim economic laws to be eternal, although viewing only the laws of the commodity-capitalist system as laws. Even though there exist socialist economies, some of them still continue to declare that there are no specific laws in a socialist economy, since socialism itself is simply one of the forms of "industrial society" (see, for example, Eugene Rostow's theory), which, they say, is of the same type in all highly-developed modern countries. Others, regarding socialism as a constraint on "human nature", allege that it can be only a temporary phenomenon since "human nature", unable to stand it indefinitely, will ultimately break this economic constraint. They attempt to prove their views by speaking of the incidence in socialist society of law-breakers and criminals, saboteurs and traitors, of a black market and other similar ills. They declare them to be a form of the manifestation under socialism of the "inexorability" of eternal economic laws, which are in turn but outward expressions of unchangeable "human nature". But these authors simply transplant mechanically the inevitable social consequences of capitalism to the conditions of socialism.

Admittedly, negative phenomena still exist in our society. However, they are not an expression of the essence of socialism but a residuum of capitalism, and do not remove the natural necessity for the establishment of socialism, do not and cannot stop socialist development—nor the gradual dying out of such residua.

¹ V. I. Lenin, *Collected Works*, Vol. 20, Moscow, p. 197.—Ed.

Economic laws cannot be eternal and immutable, just as a particular form of relations of production cannot be eternal. Marx wrote that laws are valid "only . . . for a particular historical development, for a definite development of the productive forces".¹

In addition to the economic laws that are specific to a given formation, there are also laws that are *universal* or *general* for all stages of socio-economic development. Marxist-Leninist political economy explains the existence of such laws by the essential, constant necessity of social production. These general laws embrace the essential, necessary causal connections and interdependencies in the production relations of people that do not depend on the specific nature of these relations at a given stage of their development; or, in other words, the connections that are inherent in all stages of social production. For example, one of these laws is the law of the correspondence of the relations of production to the character of the productive forces. This law connects all formations into a single process and determines the emergence of new relations of production with their specific economic laws. General also are the laws of the economy of labour, the law of rising labour productivity and a number of other laws. Even though they operate at all stages of social development, they manifest themselves in a particular historically conditioned form in each individual stage.

At the same time we cannot regard as general those economic laws which, even though they may often be encountered in several formations, possess definite features which are specific to these formations. For this reason, the law of value, for example, cannot be regarded as a general law. Even though it operates over a long period—from primeval society to communism—under full communism it will disappear together with commodity production (the production of goods for sale). The law of value is not a general, but a specific law of *commodity* production, irrespective of the modifications the latter undergoes. The significance of the law of value and the intensity with which it operates differs at the different stages of the development of commodity production.

¹ K. Marx and F. Engels, *Selected Correspondence*, Moscow, 1965, p. 39.—Ed.

To discover general laws, it is essential not only to study a definite mode of the production and distribution of material wealth (for example, the capitalist one), but also other modes of production. Only on this basis is it possible to discover economic laws that are truly general for all modes of social production. Political economy, as Engels wrote, "must first investigate the special laws of each individual stage in the evolution of production and exchange, and only when it has completed this investigation will it be able to establish the few quite general laws which hold good for production and exchange in general".¹

Manifestation of economic laws

The diversity of the forms in which objective economic laws manifest themselves makes their discovery extremely difficult. The general scientific criterion used to determine whether or not a phenomenon can be considered a law, Lenin said, is the frequency of its recurrence. This applies no less to economics. Given identical conditions of social production, economic interdependencies and causal connections must repeat themselves. However, economic phenomena, even though they recur, always display specific features; these depend on their time and place, etc. Speaking of the economic laws of capitalism, Marx observed that "under capitalist production, the general law acts as the prevailing tendency only in a very complicated and approximate manner, as a never ascertainable average of ceaseless fluctuations".²

The manifestation of economic laws as approximations, only as tendencies, with delays or lags and even deviations from the laws, results from the fact that they are laws governing the relations of people, their relations in the process of the production and distribution of material wealth. Engels, explaining this, remarked that "this is due partly to the fact that their action (i.e., the action of the laws—A.R.) clashes with the simultaneous action of other laws. but partly to their own nature as concepts."³ It is a matter,

¹ F. Engels, *Anti-Dühring*, Moscow, 1959, p. 204.—Ed.

² K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 161.—Ed.

³ K. Marx and F. Engels, *Selected Correspondence*, Moscow, 1965, p. 482.—Ed.

first of all, of clashes of social forces, which in turn become responsible for clashes of the laws themselves; it is connected also with the degree of development attained by the mode of production. In every society, especially in an antagonistic one, there are many vestiges of preceding modes, which inevitably distort and complicate the manifestation of basic connections.

For these reasons, under socialism, too, economic laws act as approximations, as tendencies or trends. This is true not only of the transition period from capitalism to socialism, when the laws of the socialist economy clash with those of relations of private ownership, but also of the period of full socialism. In the life of socialist economy economic laws act together, as a whole, as a definite system or body of laws and inevitably interact, influencing one another's *full* manifestation. Thus, for example, anticipating our argument, let us look at the basic economic law of the socialist formation. The degree to which it is directly manifested depends on many concrete factors, expressed in the laws of distribution according to quantity and quality of labour, of the steady growth of labour productivity, of democratic centralism, and a number of other laws. The extent to which material incentives are provided, or the absence of such stimuli, as we shall see later, affects the growth of labour productivity, etc. In the concrete historical situation, each law of socialism is subjected to the influence of all other laws, and therefore does not manifest itself directly to its full extent, but finds expression only as an objective trend in the economic activity of people, steadily asserting itself.

At the same time, under socialism economic laws do not operate as a blind force, standing above people, do not act spontaneously and coercively, but as a natural necessity that is cognised by the associated producers and therefore consciously organised by society. Engels said that under socialism "the laws of his own social action, hitherto standing face to face with man as laws of a nature foreign to, and dominating him, will then be used with full understanding, and so mastered by him".¹ It is therefore essential to gain a full understanding of these laws. This means that the depth of their cognition by socialist society has a con-

¹ F. Engels, *Anti-Dühring*, Moscow, 1959, pp. 390-91.—Ed.

siderable effect on the extent to which they manifest themselves in the economy. The more profoundly the law of planned, balanced development of socialist society is cognised by society, the fuller does it express itself, the more accurately is it possible to co-ordinate the needs of society with the means of consumption and the priority given to the growth of the production of means of production, etc. *Therefore the extent to which the laws coincide with their content in socialist society depends on the degree to which these laws are realised by people and practically mastered by them, and on the level of development of the mode of production itself.*

Because of this, a study of economic laws, including the laws of socialist economy, should concentrate first of all on their *ideal expression* and the *ideal relations* between them, i.e., express the laws *in their pure form*, free of complications and distortions.¹ It is only on the basis of such abstractions, generalising phenomena observed over a long period of time, that we can take up a study of the true manifestation of laws in real life, in the whole wealth of their multiformity and modifications.²

To discover the content of the specific laws of socialist economy we must first investigate the basic conditions of social production. We described them in general outline when we spoke of the categories of the political economy of socialism. We saw that the most basic condition of the system of socialist production relations is the domination of public ownership of the means of production, which, with the corresponding exchange of activity among associated producers, determines the common ownership of the results of their common labour—a form specific to the relations governing the distribution of material wealth among the members of a society of joint owners of the means of production.

In capitalist society “the whole” only hovers in the imagination, while the actual economic man (irrespective of whether it is the individual or the collective capitalist) is

¹ Marx, for example, studied the law of value, the law of surplus value, the law of reproduction, etc., in their pure form.

² In socialist economy we must draw a distinction between *modifications* of laws and *deviations* from their true content. Modifications are a result of objective historical conditions, while deviations are a result of a voluntaristic approach to reality.

the atomised owner of the means of production, exploiting a hired labour force and competing with other capitalists; whereas in the communist formation the real economic man is the whole, i.e., the society of joint owners of the means of production. Under capitalism the processes of the social economy are the spontaneously shaped, anarchically linked processes of production and circulation of capital, which are subordinated to the blind forces of supply and demand, with all the consequences arising therefrom. In communist society these are processes governing single social production, guided by social foresight. The process of reproduction becomes an organic unity of production and circulation, the constant connection between which is consciously directed and renewed in a planned manner.

Naturally, in the first stage of the development of the communist formation, in its socialist phase, the actual economic man is represented also by the collective farms (and even individual simple commodity producers). But while this creates (on the basis of the obtaining historical conditions and the level of development of society's productive forces) definite specific features both in the sphere of production and in the sphere of distribution, it does not abolish what is most important, namely, that society is the main "economic man" in the communist formation from its very inception. Historical conditions determine only the form that social foresight takes and the degree of the influence it exerts on the development of social production as a whole.

The domination of public ownership of the means of production engenders the need for joint economic management by all members of society on a social scale. This is most important. It makes for the emergence in the relations of the associated producers, who conduct the economy as a single whole, of just those definite, necessary, constant, causal connections and interdependencies that constitute the economic laws of that whole. At the same time every sphere of their economic activity, each fraction of their social production has its constant, essential interdependencies and causal connections, or its economic laws. The latter emerge in close interaction with and on the basis of the laws governing the whole. Obviously, in considering the whole body of the specific laws of communism as a formation, we must first disclose the laws of the economic *whole*,

and only after that those of its component parts. Conducting our investigation in this order (from the general to the particular), we obtain a clearer view of the unity of communist production relations, the unity of social production, and of the distinctions within this unity.

Let us now attempt to disclose some of the main interdependencies and causal connections in the economic whole, in their ideal or pure form.

The Basic Economic Law of the Communist Formation

The joint owners of the means of production are united in a *single co-operative of the working people*, as Lenin frequently called socialist society, or into an *association of producers*, to use Marx's term. In this association all branches of production are managed by society as a whole, i.e., are managed at public expense, according to a single plan and with the participation of all members of society. *The producers unite their efforts directly and jointly to utilise in their common interests, in a co-ordinated and planned way, the social productive forces belonging to them. They strive to produce the varied material and spiritual wealth they require in common and as individuals in the most productive way possible.* The producers deliberately subordinate social production and distribution of material wealth to this aim. This is the ultimate purpose for which the working class carries out its revolution and the revolutionary transformation of the public economy.

At the beginning of 1918 Lenin said: "Socialism alone will make possible the wide expansion of social production and distribution on scientific lines and their actual subordination to the aim of easing the lives of the working people and of improving their welfare as much as possible. Socialism alone can achieve this. And we know that it must achieve this, and in the understanding of this truth lies the whole complexity and the whole strength of Marxism."¹ It is exactly this that forms the essence of the mode of production under which, as Marx foresaw, material wealth exists to satisfy the requirements of the worker's development, of those social relations that are superior to those of capi-

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, p. 411.—Ed.

talism, those "in which the *full and free development of every individual* forms the ruling principle"¹.

A society of joint owners of modern means of production organises production of material wealth directly for the purpose of satisfying the diverse vital requirements of all its members. It becomes a common cause, because the "procuring" of bread and clothes, the production and distribution of material wealth in conditions of the domination of public ownership can no longer, as Lenin pointed out, be regarded as the "private affair" of every individual taken separately, or as a spontaneous process, in which every transaction "is strictly my own business".

While socialist society does not eliminate individual appropriation in general, *it does exclude individual production and individual exchange* as a matter of principle. Production, distribution and consumption of material wealth concern all members of society and are the concern of socialist society.

This is the *basic* objective, natural requirement of social production under socialism (communism). Production for the sake of profit, for the enrichment of individuals, is incompatible with the production of material wealth for and at the expense of society as a whole, and hence cannot exist in a society in which public ownership of the means of production dominates.

Referring to state-monopoly capitalism, some bourgeois economists strive to represent the capitalist mode of production as one that also ensures general welfare (the theory of the "affluent society", the theory of the "welfare state", etc.). However, what does public welfare in bourgeois society denote? It is but the wealth of the bourgeoisie as a whole, irrespective of whether the role of "economic man" is played by the private or the associated capitalist.

What can be more ridiculous than the theories echoing the attempts of the vulgar bourgeois economists of old to represent capitalism as a system striving for the satisfaction of national wants, and not for the production and appropriation of surplus value by the bourgeoisie. Karl Marx made short work of these theories. He said: "It is a false abstraction to regard a nation whose mode of pro-

¹ K. Marx, *Capital*, Vol. 1, Moscow, 1965, p. 592. Author's italics.—Ed.

duction is based upon value, and furthermore is capitalistically organised, as an aggregate body working merely for the satisfaction of the national wants."¹

The concept "requirement" under socialism

What are the vital requirements that have to be satisfied under socialism (communism)? One of the main things distinguishing socialism from capitalism is that it ensures the *unobstructed all-round development of the personality of every member of society*. Under capitalism there is not and cannot be such a requirement. All that the capitalists need is a labour force of a certain degree of development for the production of surplus value.

Under socialism (communism) the need for the all-round development of the personality of each determines in the final analysis all the requirements of society as a whole—both as regards the means of subsistence and the means of production. Some economists reduce the whole question of the satisfaction of people's requirements to articles of personal consumption, saying that the inclusion of means of production into the category of social requirements transforms socialist production into "production for the sake of production". This is a vulgar utilitarian approach.

Marxist-Leninist political economy proceeds in its analysis of the relations of production not from personal requirements, but from the social needs of production. "If you proceed from consumption," Marx and Engels wrote, "you merely declare that consumption is not at present 'human', and demand 'human consumption', education for true consumption and so on. Content with such phrases, you can afford to ignore the *real living conditions and the activity of men*."²

Production immediately poses the question of the relation of people towards the means of production as the basis for the satisfaction of all their wants. The fact that the requirements of a society of joint owners of the means of production cannot be reduced only to articles of personal consumption (although the satisfaction of this requirement

¹ K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 851.—Ed.

² K. Marx and F. Engels, *The German Ideology*, Moscow, 1964, p. 571. Author's italics.—Ed.

is the net result of production in the final analysis) is rooted in the very essence of the system.

To have articles of consumption, they must first be produced, and this can be done only with instruments of labour, that is, under modern conditions, with machine tools. Hence, the requirements of the members of socialist (communist) society include also means of production, without which the all-round development of the personality and common ownership of the means of production would be inconceivable. Frederick Engels said that socialism is characterised by the fact that in place of private ownership it establishes "the common use of all instruments of production and the distribution of all products by common consent", and that society enables "its members to *use their comprehensively developed abilities in all fields*".¹

If we should assume that each and every one of the joint owners of the means of production does not need these means, who in that case does need them? Society, some economists reply.

But socialist society is nothing but the aggregate of the members comprising it. Social bodies are bodies of the joint owners, who have to run the collective economy and, therefore, of necessity, need collective means of production. Requirement generally cannot exist as a thing apart from its bearers, i.e., from the actual producers, every one of whom in the process of labour extensively uses means of production owned in common. The joint ownership of the means of production and the need of the joint owners for these means are two sides of a single phenomenon. One cannot exist without the other, one conditions the other. Every one of the joint owners feels the need for the joint means of production—*otherwise he could not be one of their co-owners*.

If socialist society were not an aggregate of relations between people in the process of production and distribution of the results of production, then the means of production would not be the joint property of all members of society but would be property opposing the direct producers. But such a society would not be socialist, and the satisfaction of the needs of all members of society, even only as

¹ F. Engels, "Grundsätze des Kommunismus", Marx-Engels, Werke, Bd. 4, Dietz Verlag, Berlin, 1959, S. 370-71, 376. Author's italics.—Ed.

regards means of subsistence (the means of consumption), would not be a direct concern of society.

The need of the members of society for means of production reflects their concern for the continuous development of social production. This requirement could be called the general *production requirement* of the joint owners of the means of production.

Speaking of the common product of a "union of free people", Marx noted that this product consists of two parts, one for the direct satisfaction of common requirements, and the other for the satisfaction of the individual requirements of the members of that union.

"The total product of our community," he said "is a social product. One portion serves as fresh means of production and remains social. But another portion is consumed by the members as means of subsistence."¹

Those who set up personal (private) interests in opposition to the common interests of the members of society adopt a vulgar utilitarian attitude on this question. Under socialism (communism) there can be no such opposing of interests because society in the process of its development *destroys* the material basis for the existence of these opposites, i.e., eliminates the *spontaneous division of labour* that evolves a competitive clash of interests. For this reason, in socialist (communist) society, in which the division of labour is carried out with the voluntary agreement of all its members, the realised common interest—that of ensuring the all-round development of the personality of everyone and securing personal freedom—cannot oppose personal interests.

"Only in community with others has each individual the means of cultivating his gifts in all directions; only in the community, therefore, is personal freedom possible."²

Socialist society represents that true collectivity in which all individuals are granted equal rights as a prerogative of free individuals; a collectivity enabling people to *control* the conditions of their own development.

Under socialism (communism) the satisfaction of people's individual requirements is the direct concern of so-

¹ K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 78.—Ed.

² K. Marx and F. Engels, *The German Ideology*, Moscow, 1964, p. 91.—Ed.

ciety, while the satisfaction of all of society's requirements is the direct concern of all and every member of society.

This poses the following question: *to what extent is it essential to satisfy the vital needs of all members of socialist (communist) society?* There can be only one answer to this question. The very essence of socialist (communist) production relations demands *normal* satisfaction of people's vital needs. This gives rise to the next question: what is meant by normal satisfaction of people's needs? Can there generally be an objective measure for their satisfaction? Is this not a purely subjective concept? To these and similar questions, legitimate from my point of view, there can be only one answer: yes, there is such an objective measure.

The classics of Marxism wrote that communists are striving to create an organisation of production and distribution which makes "possible the *normal satisfaction* of all needs, i.e., *a satisfaction which is limited only by the needs themselves*"¹. This is tantamount to the satisfaction of all the sensible needs of all members of society *in full*.

The needs of people are not purely subjective and depend not only on man's physiology but also on social life. The needs of people are conditioned by the level of social development. For example, before the radio was invented there was no need for radios. Therefore, practice is the criterion deciding what concrete needs should be included in the needs that are to be fully satisfied at a particular stage of social development; the needs of people differ at all times and in all countries, they are historically conditioned. Socialist (communist) society supplies the necessary means for the satisfaction and development of the needs of the people. In doing this it practically abolishes these needs which originated, as Marx and Engels noted, in presocialist conditions of production and intercourse.²

By full satisfaction of needs, we do not mean the satisfaction of the caprices of those who, let us say, may want to possess instruments of labour made of precious metals, or who demand "nectar and ambrosia", or wish to lead a parasitic existence at the expense of other people's labour. *Both as regards means of production and means of con-*

¹ Ibid., p. 277. Author's italics.—Ed.

² Ibid.

sumption, we have in mind the full satisfaction of the historically conditioned needs of socially developed, cultured people, in conformity with the prevailing level of social production and the principle of the participation of everyone in common labour. The measure of the normal, or full, satisfaction of the needs of all members of society in the obtaining conditions is decided by this.

The satisfaction of the needs of people at a given stage of development of a socialist (communist) society can be said to be normal or full if: *the volume of the consumption of the means of production and means of subsistence is equal to the volume, which, on the one hand, is needed to ensure the all-round development of the personality, and which, on the other, is possible with the given level of development of the labour productivity of the members of society* (since the needs of the members of a socialist society can be satisfied only through their own labour). Everyone should address all his claims for the satisfaction of his personal needs first of all to himself: he should ask himself how much he has done to create the necessary abundance and only on that basis should he make demands on his comrades. In other words, the *criterion* of the measure of the full, or normal, satisfaction of needs is *determined by the level of development of social production and by the working people's labour productivity.*

This criterion can also be deduced from the works of Karl Marx, who always connected his scientific analysis of the capitalist present with the material and social prerequisites of the socialist future emerging in the womb of capitalism. "...If wages are reduced," Marx wrote, "to their general basis, namely, to that portion of the product of the producer's own labour which passes over into the individual consumption of the labourer; if we relieve this portion of its capitalist limitations and extend it to that *volume of consumption* which is *permitted*, on the one hand, *by the existing productivity of society* (that is, the social productivity of *his own individual labour* as actually social), and which, on the other hand, the *full development of the individuality requires*; if, furthermore, we reduce the surplus-labour and surplus-product to that measure which is required under prevailing conditions of production of society, on the one side to create an insurance and reserve fund, and on the other to constantly expand reproduction to the

extent dictated by social needs; finally, if we include in No. 1 the necessary labour, and in No. 2 the surplus-labour, the quantity of labour which must always be performed by the able-bodied in behalf of the immature or incapacitated members of society, i.e., if we strip both wages and surplus-value, both necessary and surplus-labour, of their specifically capitalist character, then certainly there remain not these forms, but merely their rudiments, which are common to all social modes of productions.”¹

In practice, a coincidence of the required volume of consumption with that made possible by the development of the productive forces of socialist society cannot be attained overnight, on the day after the triumph of the socialist revolution. Apart from the fact that the striving of imperialism to sweep the emergent socialist society from the face of the earth by force compels it to earmark sufficient means for its defence, there is also the fact that socialism does not inherit from capitalism (except in the case of the highly-developed capitalist countries) a level of technical development of social production that makes it possible immediately to ensure to all people the truly all-round development of their abilities and the full creative application of these abilities. Socialism emerges from the womb of capitalism stamped with the birthmarks of the old society—private property vestiges—the abolition of which is necessary before the full satisfaction of the needs of the members of socialist society can be attained. All this makes it necessary to establish in the first stages of the new society’s development certain gradations in the satisfaction of the requirements of the members of society, and this, naturally, is responsible for the emergence of differences in the personal interests of people. However, these gradations and differences disappear with the development of socialist relations. The existence of two forms of property of the means of production also exerts a certain influence on the degree to which requirements are satisfied at the socialist stage of development. The satisfaction of the requirements of collective farmers (excluding those connected with education and medical aid) depends to a high degree on the incomes of every single collective farm or collective farmer.

¹ K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 876. Author’s italics.—Ed.

The fact that there is a difference between the required and the possible volume to which needs can be satisfied does not mean that it is not necessary to satisfy the requirements of all members of society to the full. It only shows that there are certain shortcomings in social production we have as yet not been able to overcome and that because of them the actual level to which the people's vital requirements are satisfied deviates to some degree from the objectively necessary volume of consumption.

The normal or full satisfaction of people's requirements is at present the leading tendency in socialist (communist) society. As that society develops and as its material and technical basis grows, and as the people's participation in the common labour becomes more complete and more productive, the level to which people's requirements are satisfied draws ever closer to the objectively necessary volume of satisfaction.

The full or normal satisfaction of the vital needs of all members of society is an essential, natural demand advanced by the existence of socialist (communist) social production that asserts itself as a leading trend at all stages of the communist formation's development. Lenin said this when he emphasised that the socialist organisation of the process of production is carried on only for the sake of "ensuring *full* well-being and free, *all-round* development for *all* the members of society".¹

Requirements and production

The needs of people are neither inborn nor immutable. They are determined by the level of the development of social production. Production engenders ever new production and personal requirements. *The larger the scale and the wider the diversity production assumes, the quicker does it exceed the limits of existing traditional requirements.* The very nature of large-scale industry, as the classics of Marxism showed, prevents it from waiting for requirements to grow. It inevitably outstrips consumption, thereby making it increase.²

¹ V. I. Lenin, *Collected Works*, Vol. 6, Moscow, p. 54.—Ed.

² See K. Marx and F. Engels, *Collected Works*, Russ. ed., Vol. 4, p. 329.—Ed.

Naturally, one should not think that new requirements spread throughout society as soon as they emerge. The development of new requirements proceeds gradually, step by step, until they become the universal, ordinary needs of everybody.

At the same time the new requirements born by production and adopted by society constantly promote the further development of production, assign to it new tasks and create the need for new equipment and the reorganisation of production. But, again, this re-equipment of production is not implemented immediately and universally. Even so, conquering one sector of social production after another, new production methods outpace traditional consumption and thereby give birth to new requirements.

This interaction of production and needs lies at the root of the *law* discovered by Marx and Engels. According to this law, "the satisfaction of the first need (*the action of satisfying, and the instrument of satisfaction which has been acquired*) *leads to new needs*; and this *production of new needs is the first* (i.e., the *basic* as can be seen from the context of this work of the founders of Marxism—A.R.) historical act".¹

In presocialist stages of development this causal interrelation between production and consumption is distorted by antagonistic relations of production. Concealed by a material shell, it embodies the profit of exploiters provided both by production and consumption. There is a sharp conflict between production and consumption. They are basically divided between different classes: labour is the lot of the exploited majority, while pleasure and mental activity are the privilege of the exploiting minority. Even the consumption of the worker does not belong to him. Actually it belongs to the capitalist, for the worker only reproduces himself as hired labour power, which is sold to the owner of both the means of production and the worker's means of subsistence. Buying labour power, the capitalist pays for it with the surplus value that is created by the working class itself. As a result, there is the appropriation of other people's unpaid labour for the purpose of appropriating other people's unpaid labour on an even larger scale.

¹ K. Marx and F. Engels, *The German Ideology*, Moscow, 1964, p. 39. Author's italics.—Ed.

But with public ownership of the means of production, the relation between production and consumption is freed of this internal antagonism and from the shield concealing and distorting it, *because under socialism production and consumption belong to the same persons*. Therefore, the causal connection inherent in this relation becomes a direct, open, truly humane stimulus for the development of production. *The diverse new vital needs of people constantly being evolved by social production, and in turn constantly placing new demands on the social production that has given birth to them, is the result and direct internal stimulus, the internal driving force, of the gradual and constant development, expansion and improvement of socialist production*. The full or normal satisfaction of the constantly growing requirements of all members of society thus acts as an inexhaustible stimulus to the further, essentially endless development of socialist (communist) economy.

Accumulation (expansion of production) is society's main progressive function. Socialist society consciously expands and improves social production in order fully to satisfy the requirements of all members of society for the all-round, ever deeper and more creative development of the personality of each member. This is the result of the public ownership of the means of production, and the other basic conditions of socialist (communist) production. In the final analysis, it is the result of the *social nature of modern productive forces*.

Indeed, modern social production stands on the threshold of creating a vast and completely automatic system of machines, which, together with the mastery of new materials and power sources, and new means of transport, will enable us to use even outer space for production and other purposes. This opens up before mankind splendid prospects, but calls for the solution of these grandiose tasks through the conscious co-operation of all forces and means on a scale embracing not only a single country, but the planet as a whole. Such co-operation can be ensured in full measure only by relations of public ownership. This has now been strikingly demonstrated by the great and constantly growing successes of socialist science and technology.

For the productive forces to develop continuously and in the most effective way, there must be full employment and a striving on the part of every member of society to

develop his abilities as comprehensively and as speedily as possible. Can this apply to all people? Yes, it can, but only when all people are confident of the future.

When people are compelled to spend all their efforts on ensuring their future existence (which is the rule in the capitalist world), if they have no firm confidence that they will always be ensured work according to their abilities, if they have no means to develop their abilities—these abilities not only fail to develop, but stagnate, and are, more often than not, wasted on trivialities. For modern social production to develop properly the abilities of all people must be developed, and this demands that society make its every member fully confident of his own future; this must be transformed from a private concern into a social one.

Under these conditions all people are really able to develop all their abilities and to use them without obstruction in their common labour. The use of the combined abilities of all members of society, when these have been comprehensively developed, produces a spectacular upswing of the social productive forces, which in turn ensures the production of the great mass of material and spiritual wealth necessary to guarantee the full satisfaction of the constantly growing needs of the members of society. This possibility is consciously and systematically converted into reality in a socialist (communist) society.

We can sum up as follows: *if ownership by the people of the means of production dominates in society, this domination of necessity subordinates social production and distribution to the aim of achieving the full welfare of all members of society and the all-round, free development of the personality of each, and the full satisfaction of the people's constantly growing requirements as regards means of production, means of subsistence and means of culture. This is the natural and principal stimulus to collective labour and the active participation in it by every member of society, and a stimulus to the constant expansion, and scientific and technological improvement of socialist social production as a whole.*

This basic law of the economy of the communist formation expresses the general economic interest of all the members of a society of associated producers.¹ While this

¹ For the quantitative side of the basic economic law of communism see Appendix, pp. 379-81.—Ed.

is a single, common interest, it at the same time embraces three distinct concrete forms of this interest: the *interest of society as a whole*, the *interest of the enterprise*, and the *interest of the individual worker*.

In the form of the interest of society as a whole, the basic economic law of the communist formation manifests itself *directly*. Society as a whole makes social production and the distribution of material wealth serve the aim of achieving the full welfare of all its members and the all-round, free development of the personality of each. It realises the content of this law as a cognised natural requirement of communist social production. Society as a whole consciously determines the future volume of production and consumption of the means of production and means of subsistence, on the basis of what is required at the present stage to ensure the full welfare of its members and the all-out free development of the personality of every member, and what can be provided given the prevailing level of social labour productivity.

The deep recognition of this common interest is the basis of the conscious economic activity of the members of society, the basis ensuring the harmonious development of the economy of the communist formation. Once cognised, the basic economic law *determines the principal direction taken* by the whole of the economic activity of socialist (communist) society.

The vanguard of society—the Marxist-Leninist Communist Party—which is the first to apprehend this law, makes the broad masses deeply conscious of it. However, the masses do not become conscious of their common interest directly and immediately. For them to recognise their common interest as their own, there must be *intermediate* links. Personal *material and moral interest* is such a link. This interest shows itself within the framework of the workers' collective—the enterprise—in which every person is directly employed. Every individual through his personal interest becomes conscious of the community of interests within his collective, and, hence, the *common* material and moral interest in the results of the collective's activity. It is in this way that the masses become aware of the community of their interests on a social scale.

The more developed are the abilities of every member of society, the greater is his contribution as one of the

members of the single association of producers. At the same time every individual member of society is able to satisfy his needs to the fullest extent only as a result of the development of social production. The interests of all members of workers' collectives are realised chiefly through their relation to these collectives, and through them to society as a whole.

The material and moral interests of enterprises, and those of individual workers, do not run counter to common interests, the interests of society, as some economists think. They are not vestiges of capitalism, but *distinctions of interest within a single interest*, forms in which the basic law of the communist formation operates in all stages of its development. There can only be the question, which of the component parts of these interests plays the main role in this or that stage of social development? *Obviously, the deeper the consciousness of the masses becomes and the further the social economy advances, the greater becomes the role of moral factors.* Moral interest finds different expressions at different stages of a socialist society's development. In the U.S.S.R. it has found expression in socialist emulation drives, shock-worker campaigns, the Stakhanovite movement, the "500" movement, the Gaganova movement, social bureaus of economic analysis, etc. In launching these movements, the co-owners are moved by a single feeling—a moral interest. These movements are supported in every way by the trade unions and by the government, which awards the participants with honorary diplomas, badges, Red Challenge Banners, medals, and orders, including the high title of Hero of Socialist Labour. This single interest in its three forms is an invincible force, the "secret" weapon of socialism (communism). (Bourgeois and petty-bourgeois ideologists cannot understand this. They see only the separate forms and fail to see the unity, or else see only their unity but fail to see the distinctions within.) Nevertheless, this unity of distinct interests is not forged automatically. The associated producers must maintain a definite balance, or definite *proportions* between the three different parts of their common interest. The social calculation of the volumes of production and consumption, and of the material and moral interests of each working collective and those of every one of its members, are used consciously as instruments for establishing these proportions.

The material and moral interests of each workers' collective, and of every member of society, in the results of social production, provide a flexible mechanism through which society can put to use in various forms the basic law of the communist formation at the various stages of its development.

**The basic economic law and the aim
of production under socialism (communism)**

The basic economic law is often interpreted as a law expressing the basic economic aim of society and the means of its attainment. Let us therefore say at the outset that the *economic aim of society and the means of achieving this aim are not the content of the basic law, but its results.*

The aim of society is something that is inherent only in the consciousness of people and cannot exist outside it. Economic laws, on the other hand, exist outside the consciousness of people, in the actual material relations in which people stand to one another.

Let us now consider the question of the economic aim of society in somewhat greater detail. Naturally, we shall not discuss the aims of individual persons, even though ultimately the aim of every individual is engendered by the objective world. Lenin noted that "in actual fact, men's ends are engendered by the objective world and presuppose it,—they find it as something given, present. But it *seems* to man as if his ends are taken from outside the world, and are independent of the world".¹ While the economic aim which this or that individual pursues can be arbitrary in its *direct* expression, the aim of every social mode of production is dictated by objective necessity.

The fact that production has an aim is determined by the very essence of human labour. Human labour is *purposive* productive activity, adapting the various materials found in nature to definite human needs. In pursuing these aims man cannot transcend the limits of nature, for nature comprises the objective universal basis of his productive activity and also of the aims towards the achievement of which his labour is directed. In their means of labour, people set up various forces of nature against one another,

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 189.—Ed.

and thus come to dominate them. Therefore, it is not nature but man who by his own activity determines, regulates and controls the exchange of materials between himself and nature.¹

The ultimate, conscious aim of people—and this is inherent in the process of the production of material wealth—is *always* (irrespective of the social form of production) personal and productive consumption. However, at the various stages of the development of the production relations (within which and through the medium of which conscious, purposive labour activity is carried on), the aim of people in social production assumes different expressions. In other words, the aim of social production assumes a specific expression at each historical stage of the development of social production. This is determined by differences in the relations of the ownership of the means of production. *The property relations dominant in society determine the aim of people engaged in social production; this aim governs their actions as a law, and therefore governs also the methods and means used by them to achieve their individual aims.*

Thus, the domination of capitalist property—which always involves the appropriation of labour that is not paid for, i.e., the production of surplus value—makes the aim of social production the appropriation of profit by means of the exploitation of wage workers by capitalists. Whereas, by contrast, the domination of social ownership of the means of production inevitably leads to the direct subordination of the development of social production to the aim of ensuring the full, or normal, satisfaction of the requirements of all members of society for articles of personal and production consumption, and the all-round development of the personality of each. This is the conscious aim of social production under socialism.

Public ownership engenders the need for a deep realisation by all members of society of this aim. This means that public property must have a *scientifically-based* aim of production. Such an aim is contained in the *basic economic law*. *It is the cognised objective content of that law that acts as the main aim, the motive of the conscious economic activity of the members of socialist society.*

The aim of production is well expressed in the defini-

¹ See K. Marx, *Capital*, Vol. I, Moscow, 1965, pp. 40, 173-74.—Ed.

tion of the policy conducted by the vanguard of socialist society—the Party of scientific communism—under the leadership of which society carries on its economic activity. “The policy of our Party,” said the report of the Central Committee of the C.P.S.U. at the Twenty-Second Congress of the Party, “is permeated with the great idea of communism: *everything for the sake of man, for the benefit of man!*”

**The basic economic law—the law of the movement
of socialist [communist] economy**

The basic economic law of socialism is often interpreted in a simplified way. Some critics say that if the law speaks of “the full satisfaction of the requirements of all members of society”, this means that there must already be such satisfaction in practice. If this is not the case, they maintain, there is no basic law. These critics make a mistake, since the basic law does not speak of full satisfaction as something that has already been achieved. It says that in socialist society the production and distribution of material wealth are of necessity consciously subordinated to this objective task and that it is a realised *stimulus of economic development*.

The actual level to which the vital needs of all members of society are satisfied depends on many circumstances.¹ It depends first and foremost on the level of development of the productive forces. However, the extent to which the vestiges of capitalism have been outlived in the consciousness of the people, their labour productivity, and the elimination of shortcomings and harmful trends (especially in the first stages of socialist society’s development) are also decisive.

In the first stages of socialist construction, the level of the satisfaction of the needs of all members of society is still comparatively low. But production and distribution are directly subordinated to the solution of this task, i.e., to

¹ In Soviet economic writing there is a wealth of concrete material illustrating the action of the basic economic law of the communist formation at the various stages of its development (see, in particular, the author’s book *On the Basic Economic Law of Socialism*, Moscow, 1960).—Ed.

that of ensuring the full satisfaction of the requirements of all members of society. Society has now, under socialism, fully satisfied everybody's need for work—unemployment has been done away with once and for all. The needs of everyone for means of subsistence are satisfied in accordance with the quantity and quality of labour he contributes to the common labour¹; and with the growth of production, these needs are satisfied to an ever-increasing extent, as is the need for the all-round development of the personality. Education is within the reach of everyone and embraces an ever-growing part of the population. Taken together, these conditions are the specific manifestation in socialism of the communist formation's basic economic law. The law is the same for all stages, but it manifests itself in specific ways at each stage.

The extent to which the requirements of all members of society are satisfied depends, therefore, on the joint owners of the means of production themselves, on their labour activity, on their common economic successes. *The higher the development of socialist economy, the more productive the common labour, the bigger the aggregate product of society, and the fewer the accidental factors in the economy at a given stage of development—the greater is the extent to which all the requirements of every member of socialist society are satisfied*, and the closer does the actual manifestation of the basic law approach its ideal content.

Some economists, basing their conclusions on the surface relations of socialist society, especially in its first stages, consider the contradiction between common and personal interests, and not the essence of the basic economic law, as the driving force of economic development. This is because they lose sight of the fact that under socialism, common and personal interests cannot, as such, contradict each other. Under socialism the satisfaction of the needs of all and every one, and the free, all-round development of the personality is a social concern. Hence, the unity of common and personal interests is the determining factor in the economy.

¹ It is exactly at these stages of development, right up to the triumph of full communism, that the problem of a guaranteed minimum wage, and of its economic substantiation, play a particularly important role.

This does not mean that every single individual immediately realises this unity and is guided by it. This too is a specific feature of the socialist phase of communist development.

At the socialist stage, and especially during the transition period from capitalism to socialism, it often happens that a contradiction emerges between the common interest and the actions of individuals who are guided by petty, and sometimes even by mercenary, egoistical motives. These non-antagonistic contradictions may also emerge as a consequence of shortcomings in some of the sections of socialist economy (for example, violations of the system of material incentives, of the principles of democratic centralism, or of scientific economic management, etc.). However, they are connected not with the economic essence of socialism, but with the extent to which individuals recognise the necessary objective conditions of social development—determined, among other things, by the level of development of labour productivity and by the differences that must exist in the distribution of products for personal consumption. There are contradictions between subjective consciousness and objective conditions, and contradictions which result from the lag of consciousness behind being, and, again, those which belong to vestiges of the past. In the course of time, such vestiges disappear with the all-round development of the people of the new society and the conditions of their social life.

An analysis of the socialist (communist) mode of production shows that the main contradiction of socialism is not the one between the common and personal interests of the members of society and not the one between production and consumption. It is rooted in the dialectical contradiction *between the new needs being constantly evolved by social production (on the basis of the full satisfaction of the existing needs of all members of society) and the new demands which these needs make upon the social production that has engendered them*. It should also be noted that here "contradiction" does not necessarily signify the unavoidable lag of the possibilities of production behind the needs of the people. This would be a vulgar interpretation of the concept "contradiction". Production itself evolves new needs which cannot be fully satisfied immediately. For various reasons production may not be able to satisfy some of them

in time, or else there may be an overproduction of some articles for which consumer demand has fallen off.

These dialectical, non-antagonistic contradictions are characteristic of socialism, embracing the whole aggregate of the essential interdependencies and causal connections of socialism—they are the emergence from unity of opposite sides and their mutual interpenetration. This is what is meant by the development (“struggle”) of opposite sides, and the resolution of contradictions determining the self-movement of a phenomenon as a whole. Therefore, *only the basic economic law of socialism can act as the driving force of socialism’s development.*

Some economists consider that the basic economic law of socialism should not be allowed to overrule the economic law of the movement of modern socialist society. This latter law, according to their view, is not identical with the basic law of socialism. According to them the basic law reveals in only very general outline the connections between public ownership of the means of production and the ways of achieving its aim. The other law, they say, reveals the close connection between the development of the productive forces and the gradual transformation of socialist relations of production into communist ones.

Reducing, quite without foundation, the basic economic law of socialism to the “aims” and “means”, which, as we saw, are really the results of the law, they ignore the stimulating role of this law, and single it out as a special law of movement. However, can the productive forces be separated from the relations expressed in the basic law? No, they cannot. Do socialist relations of production differ *basically* from communist relations? If that were the case, the transition from socialism to communism would be a transition from one *type* of production relations to another, with all the consequences that that would entail. But socialism and full communism are not two different types of production relations, but only *two phases* of the same communist formation. Naturally, each is a separate phase having specific features distinguishing it from the other. We should keep this in mind since a refusal to take these distinctions into account leads to recklessness in politics, to jumping over stages, to a coercive “communisation” of relations before they have matured to the communist level, to an implementation of “regimented commu-

nism", a communism of poverty, and certainly not to the full prosperity of all members of society and the all-sided development of the personality of each.

The phase of full communism matures on the basis of socialism. Socialism prepares the material and technical basis of communism, and accordingly the interrelations of people corresponding to full communism. This includes the attainment of a definite, high level of development by society's productive forces and of a single form of public ownership of the means of production. In particular, it includes the equipment of social production with the most up-to-date techniques, the automation of production and control, the achievement of a level of labour productivity ensuring an abundance of commodities. The concept of the material and technical basis of communism includes the attainment of a definite level in the all-round, free development of the personality of everyone, and the development of comradely relations between people in the joint co-ordinated management of their single economy. It also presupposes the achievement of mastery by society and the use of economic laws in the interests of all its members.

At a certain stage, the quantitative growth of the material and technical basis of socialist society produces a qualitative change—it becomes the material and technical basis of communism. As a result, qualitatively more perfect comradely relations form between the joint owners of the means of production. Such a dialectical process can be illustrated even under capitalist conditions. Let us take, for example, the transition from industrial capitalism to monopoly capitalism. The growing concentration and centralisation of capital under industrial capitalism brought with it a struggle for the concentration of the bulk of the surplus value in the hands of an ever-contracting handful of tycoons, leading to the emergence of a new quality within capitalist economy—the domination of the monopolies and the emergence of a competitive struggle between the giants, unprecedented in its forms and intensity. Capitalism remained capitalism, in spite of the transition from one stage to another.

The gradual transition from one phase to another is determined by the basic economic law of an economic formation and does not change the essence of that formation, viz., the type of its relations of production. There is also no

change in the basic law, in its essence and in its stimulating functions; there are changes only in the form in which it manifests itself.

The basic economic law of any formation is at the same time the law of the movement of the economy of that formation from its beginning to its end. Marx considered the law of the production of surplus value to be not only the basic law of the capitalist formation but also the law of its movement.

As follows from its objective content, the basic economic law of the communist formation is the same for both phases of communism. The main dialectical contradiction unfolding in it is the main source of the movement of the economy, of its self-movement or development as a whole. Thus the basic law acts at the same time as the law of its movement.

Those economists are equally wrong who deny the existence of a basic economic law of socialism, who do not see the objective behind the subjective. Failing to see the causal connections in production relations, they attempt to prove that the basic economic law is an entirely unnecessary generalisation, of no use to anybody (it should be added that these economists give a similar evaluation to the law of planned, balanced economic development, of which we shall have more to say further in the book). However, the main economic law of socialism expresses the actual interrelations of the joint owners of the means of production, which do not depend on the will and consciousness of anybody for that law is an expression of the natural needs of socialist, social production.

Could socialist economy exist and develop without the direct subordination of the production and distribution of material wealth to the achievement of the full (or normal) satisfaction of the constantly growing productive and personal requirements of all members of society, without the subordination of production to the achievement of the all-round development of the personality of each? Is this subordination of the economy and this development of the personality *a necessity, and a constant, essential necessity at that?* Does this necessity recur? It is enough to put these questions to see that the basic economic law of socialism (communism) is not a subjective invention, but an objective relation.

The basic law of the communist formation reflects what is essential in communist relations of production. It is the foundation upon which rests the whole system of the specific economic laws of socialism (communism).

Certain economists consider that the idea of a "system of laws" is pure scholasticism. We cannot agree with this point of view. Economic relations do not lead an independent existence. They operate together, but at the same time each relation has its own specific features. In the economic theory the aggregate of economic relations is split up into component parts. Only in this way is it possible to see economic life as it really is.

The objective structure of the interdependencies and causal connections of actual economic relations determines the logical structure of the laws of political economy which reflect them. Science expresses this structure as a system of laws.

The cognition of a formation's basic economic law is the logical beginning of a cognition of the essence of its economic relations as a whole. Despite the views of some economists, there is no single specific law in a formation that can precede the basic law either historically or logically. The view of some economists that, for example, the basic law of capitalism—the law of the production of surplus value—is preceded historically by the law of value is in fact historically unfounded. The law of value refers to commodity production in general and not to the capitalist economy as such, i.e., it does not reflect the exploitation of hired labour. It is the law of the production of surplus value that reflects this.

Without cognising the basic economic law of the communist formation it is impossible to cognise its other laws. Even so all-embracing an economic law as the law of the planned, balanced development of the economy cannot be understood without a preliminary cognition of the meaning of the basic economic law, since a certain "planned organisation of social labour" can be implemented without socialism (communism). This is clearly evident from Lenin's remarks on the second draft programme of the R.S.D.L.P., drawn up by G. V. Plekhanov. Plekhanov proposed to write in the draft programme that capitalist organisation of so-

cial production be replaced by "the planned organisation of the social productive process for the satisfaction of the needs of all of society and of its individual members". In this connection Lenin remarked: "That is not enough. Organisation of that kind will, perhaps, be provided even by the trusts."¹

In the capitalist world, there must also be a definite planned organisation of production within the framework of an enterprise or a single monopoly, expressed notably in planning the filling of orders. Under state-monopoly capitalism a number of important measures may be taken in the interests of the biggest monopolies to regulate the economy on a national and even on a world scale. In a definite sense this also serves to satisfy the requirements of society "as a whole" (naturally, those of capitalist society) and also of its "individual" members, among whom, of course, are the monopoly magnates.

But, however the national and international monopolies "plan, however much the capitalist magnates calculate in advance the volume of production on a national and even on an international scale, and however much they systematically regulate it, we still remain under *capitalism*—at its new stage, it is true, but still capitalism, without a doubt".² Hence, the planned organisation of social production under capitalism (especially under state-monopoly capitalism) can attain a comparatively wide scale. But such planning does not transform capitalism into socialism. Capitalism continues to be capitalism.

Bourgeois planning, directed by capital, is subordinated to the quest for profits, to the production of surplus value, and is therefore organised in the interests of the capitalists and cannot fall in with the interests of all members of society. In capitalist society production is carried on neither at the expense of society nor in the interests of all members of society, but at the expense of capital and, hence, in the interests of capital alone. Therefore, bourgeois planning does not exclude spontaneity in the economy, just as monopoly capitalism cannot exclude competition, which is part and parcel of capitalism. That is why Lenin remarked:

¹ V. I. Lenin, *Collected Works*, Vol. 6, Moscow, p. 54.—*Ed.*

² *Ibid.*, Vol. 25, Moscow, p. 443.—*Ed.*

"The trusts, of course, never provided, do not now provide, and cannot provide *complete* planning."¹

This is proved first of all by the cyclic nature of capitalist economic development, with its inevitably repeating crises of overproduction, the constant clash between the conditions of accumulation and the conditions of realisation, between technological progress and the relative decrease in the need for human labour, etc. Even in the countries where the level of nationalisation is high, capitalism cannot conduct the whole economy in a planned way, as a single whole, and in the interests of that whole.

So Marx's theoretical generalisation that bourgeois society is such that there can be no conscious social regulation of production in it, one that could eliminate the spontaneity of capitalist relations in their entirety, is as true today as it was in Marx's days. Now, as then, "the rational and naturally necessary asserts itself only as a blindly working average".² Modern state-monopoly capitalism could not and cannot, no matter how high a stage of capitalist socialisation it achieves, refute Marx's scientific conclusion. In order to refute it capitalism would have to stop being capitalism.

To discover the essence of the planned organisation of social labour under socialism it is necessary first of all to discover the socialist "guiding principle" of that planned organisation, which means that the basic economic law of the communist formation must be cognised. It is only on the basis of the common interest of the joint owners of the means of production that *co-ordinated economic management on a social scale* becomes possible, i.e., a truly conscious social regulation or planned management of the national economy as a single whole. On commonly-owned land and in commonly-owned factories there can be no haphazard work, co-ordinated activity becomes a must. Otherwise confusion, spontaneity and anarchy of production are bound to reappear in the economy and the common interest will ultimately be lost sight of. In this connection we may well remember Engels's remark, which is of general methodological importance: "Where there are no common in-

¹ V. I. Lenin, *Collected Works*, Moscow, Vol. 25, p. 443. Author's italics.—Ed.

² K. Marx and F. Engels, *Selected Correspondence*, Moscow, 1965, p. 209.—Ed.

terests there can be no unity of purpose, much less of action."¹

The conscious co-ordination of the economic activity of millions of members of society, of the joint owners of the means of production, which is possible only on the basis of democratic centralism, is an essential condition for their joint economic activity in the common interest. This is an essential requirement of the socialist (communist) socialisation of modern social production.

An analysis of the interrelations of the associated producers expressed in the conscious, co-ordinated management by them of the national economy, is revealed not only by the law of the planned, balanced development of the economy. This law, reposing on the basic economic law of the formation is linked closely with a number of other economic laws of socialist (communist) production relations as a whole. These latter laws are both prerequisites and consequences of the law of the planned, balanced development of the economy. Together they comprise the *essence* of co-ordinated economic management by associated producers.

LAWS GOVERNING CO-ORDINATED (PLANNED) MANAGEMENT OF THE NATIONAL ECONOMY AS A WHOLE

Co-ordinated economic management by associated producers in their own interests consists of co-ordinated production and distribution of material wealth on a social scale. The laws of co-ordinated management are the combined laws of production, distribution and consumption on a social scale. Like all other laws of the communist formation, these laws are determined by the public ownership of the means of production. When beginning a study of co-ordinated economic management by associated producers, with a view to discovering the laws specific to it, in their pure form, it is essential to regard the phenomenon as a whole and as relating to a single "economic man"—society—without singling out at this stage of the investigation separate spheres of economic activity. These spheres, naturally, have their own specific laws, which will be dealt with later.

¹ F. Engels, *Revolution and Counter-Revolution or Germany in 1848*, Chicago, p. 26.—Ed.

In order to ensure that the economic activity of the joint owners of the means of production is co-ordinated in their common interests, and the requirements of the formation's basic economic law are realised, it is *first of all* necessary to know what should be produced and, hence, what should be distributed; that is, there should be clarity as regards the volume of output and its distribution in all its diversity. A society of joint owners of the means of production must also know its own possibilities in carrying out the necessary work and the distribution of duties. Only in this way can society work out well-founded general production and distribution targets, stipulating the quantity and quality of the wide variety of articles it needs.

Co-ordinated economic management and the plan

These targets are expressed in a *single economic development plan*, on which are based the development plans of individual economic districts and branches, and, ultimately, those of individual workers' collectives. Therefore, from the social point of view, this plan is a reflection of the objective interrelations of the associated producers in the course of their co-ordinated management of the whole national economy in the common interest.

Outlining "...the planned production and distribution of the goods required for the existence of tens of millions of people",¹ or the economic plan, society consciously determines its collective relations, its joint actions in the production and distribution of material wealth. It determines what material wealth is to be produced, how much of it, and when; it determines whither, when and in what quantity the output should be dispatched and how much human labour and means of production need be expended on all this.

Co-ordinated management in the common interest makes it necessary not only to define the general plan targets and to distribute them among the members of society, but also to check the progress being made in their fulfilment. In other words, society places the *exchange of activity* between all members under its *collective control*. Para-

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, p. 241.—Ed.

phrasing Marx's well-known statement, we can say that when the system of the production of material wealth by society becomes a product of the free social union of men, it is placed under their *conscious planned control*.

The targets of the economic plan become the *criterion of the co-ordination*, and in the process of their fulfilment—the *criterion of the success* of the jointly co-ordinated and self-controlled work of the associated producers on a social scale. To be able to fix the targets of the economic plan in a co-ordinated way in keeping with the principle of democratic centralism, and to control the fulfilment of the obligations assumed by society as a whole, all economic resources of society must be taken into account and accurately computed with the active participation of the broad mass of producers.

Co-ordinated economic management, accounting and the principal balances

Foreseeing the socialist (communist) mode of production, Marx wrote that in the society of associated producers, accounting, embracing the *regulation of the labour time and distribution of labour, becomes more important than ever before*.¹ Accurate accounting and computing are not simply technicalities but are aspects of the associated producers' relations of production.

Such all-embracing social accounting and control is impossible under capitalism, where the domination of antagonistic class and commercial interests breeds "commercial secrets". As distinct from capitalism, socialism provides every opportunity for the accounting and control of the economic activity of all members of society.

Co-ordinated economic management makes it essential to obtain and process quickly an enormous stream of information, embracing hundreds of millions of facts. Technically, their processing depends on the level of development attained by computing techniques. The introduction into economic management of modern fast computers makes it possible to obtain and process an enormous mass of information in a short time and with a minimum expenditure

¹ See K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 851.—Ed.

of labour. This enables the planning bodies to compare variants of operational and long-term plans and to select the optimal ones.

For a number of reasons the introduction of electronic computers into economic management has been delayed in the U.S.S.R. The need for their use became particularly acute with the launching of communist construction. As Academician V. S. Nemchinov has noted, it was only in 1963, that a state system of bodies for the introduction into the economy of mathematical methods and computing techniques was set up. The co-ordinated management of the economy as a single whole *naturally demands that this activity be begun with a thorough reckoning by society of all the diverse vital needs of its members and of the amount of labour required for the production of the material wealth needed to satisfy them.*

The first thing to be computed is the requirement of all members of society for *means of subsistence, means of production for the production of means of subsistence, and means of production for the production of means of production and for transportation of these means—that is, in the final analysis, of the means needed for the all-round free development of the personality of each member of society.*

Society has to determine not only *current* vital needs (i.e., those of the present population) but also *expected* needs (i.e., has to take into account the natural increase of the population). It must also take into account *changes in needs*, evolved by the development of social production, both *foreseeable* and *unforeseeable* requirements, for which various reserve and other contingency stocks must be provided. Such accounting can be called an accounting of *total needs*. It is possible only in socialist society, because of the domination in it of public property and its management by the method of democratic centralism. Democratic centralism subdivides social requirements into general and purely local ones, makes it possible to set up a single system for the collection of accurate information, and for its processing and utilisation at the various levels of economic management. In determining social needs, the planning bodies are guided by the demands springing from the development of production and base their calculations on scientific production and personal consumption quotas, worked out by relevant research institutes. In determining social require-

ments for articles of personal consumption no little importance is attached to the study of consumer preferences. The establishment of consumer preferences involves not only registration of existing tastes but also of possible changes of taste. Mathematical techniques of quantitative analysis, particularly those based on the theory of probability, make it possible to determine the size of the ideal consumption of a finished product for all of society with a great deal of accuracy, and on this basis to establish what society has to produce in order to satisfy its requirements.

It is also necessary to determine how much *expenditure* by society of human (simple and complex) labour as well as of embodied, past labour is necessary to produce the intended amount of products. By labour expenditure is meant labour expenditure per unit of production, that is, labour-intensity measured in terms of labour time.

The need to compute the total labour expended on the production of the total output (or the national economic labour-intensity) is dictated by the fact that society has to deal first and foremost *not with a method of expressing labour expenditure but with labour expenditure itself*, as living and embodied labour. Therefore, regarding the relations of associated producers in the co-ordinated management by them of the national economy from a purely theoretical angle, we can and must at the present stage of the investigation divorce ourselves from the method of expressing social labour expenditure in terms of value.

Some economists maintain that it is impossible to calculate the labour-intensity for the entire output produced by the national economy because the number of calculations would be endless. However, a way out can be found by making computations with the maximum possible degree of accuracy and by tolerating such errors of calculation as cannot practically interfere with the effective measurement of labour time expenditure. This is possible if we base our calculations on the labour expenditure corresponding in every given case to the existing level of the development of the productive forces, that is, if all preceding expenditure is reduced to this level. Such calculations call for a determination of the labour expenditure of each basic division of the process of production of material wealth. In doing this, beginning with the production of means of production for the production of means of production, each division

should be treated successively as basic, while all other divisions are regarded as subsidiary. And finally, in these calculations, embodied labour expenditure should be divided into two parts: that part of the labour embodied in raw materials and other materials and services used in production, which enters and is used in production systematically and is fully used up in the course of each production period; and the labour embodied in means of labour which go into production in bulk, but enter newly created products piecemeal, over several production periods.

In practice, society has long been computing the expenditure of human (living) labour while working out scientifically-based technical and economic quotas. The Central Statistics Board of the U.S.S.R., for example, has drawn up an interbranch balance of labour. With the help of high-speed electronic computers, the computation of the expenditure of both living and embodied labour on a national economic scale becomes more and more feasible. The Russian economist and mathematician V. Dmitriyev proved in 1910 that total labour expenditure of society can be computed. He was the first to give a formula for it. Academician V. S. Nemchinov in the theses of his report on "Methods for the Determination of Value and the Deviation of Prices from Value",¹ mentioning this, also noted that V. Dmitriyev was the first to refute Tugan-Baranovsky's theory.² The latter maintained that it was impossible to calculate the total labour expenditure of society, since the chain of calculations would extend right back into the Middle Ages. Naturally, under socialism, much in these computations will be conditional, since there are still social distinctions in labour. The problem of reducing all the many socially different types of labour to labour of a single quality is not a mathematical but a social problem that cannot be solved by computing techniques alone.

¹ See V. S. Nemchinov, *On the Further Improvement of Planning and Economic Management*, Russ. ed., Ekonomizdat, 1963, p. 53. V. S. Nemchinov (1894-1964)—a Soviet scholar, academician and prominent economist, was a theoretician and major specialist in the field of the application of mathematics to socialist economic research.—Ed.

² M. I. Tugan-Baranovsky (1865-1919)—a Russian bourgeois economist, was at first a prominent representative of "legal Marxism" but later became a "critic" of Marxism and came out in defence of capitalism. After the 1917 Revolution he engaged in counter-revolutionary activity.—Ed.

The relation between calculated needs and the labour required for the production of products needed, or as we may call it, the *balance between total social needs and the means of satisfying them*, determines the general perspective of the economic activity of society as a whole.

To be able to manage the economy in a co-ordinated way, a society of associated producers must know its *real possibilities*, the level to which needs can be satisfied and the actual expenditure required of living and embodied labour.

The real possibilities of production can be revealed by balancing production costs over a definite period of time with the results obtained. Such a balance might be called *a balance of real production possibilities*. It shows the extent to which the productive forces are being used, and this determines the production possibilities of society for the immediate future.

A comparison of the balance between total social needs and the means required for their satisfaction with the balance of real production possibilities shows how far or how near society is from the full satisfaction of its needs. Society is able to see how much time will be required to achieve the full satisfaction of needs and what can be done to bring this nearer.

This comparison of the two balances makes it possible to discover which sections of the economy are forging ahead at a particular time and which sections lag behind—and in what sections of the economy it is essential to take measures to ensure a general economic upswing to the level that must and can be attained in the immediate future. It also highlights successes and shortcomings in scientific and technological development and in the training of personnel for the economy. This enables society to *assign to science and technology, and also to the bodies and organisations responsible for the training of personnel concrete tasks, both immediate and long-term*.

In this way society succeeds in co-ordinating its activity in the most complex sphere—the sphere of science and the creation of new equipment. The development of science and technology in the communist formation can and must be predicted, since it must constantly march in the vanguard of mankind's progress. The mastery of this sphere, the development of which depends for some time even under so-

cialism on individual effort, marks the achievement of the highest stage of co-ordinated economic management.

A comparison of total social requirements with real production possibilities provides a firm basis for determining concrete tasks. Socialist production demands that the economic development plan should provide for the production of an amount of material wealth which, as Frederick Engels said, "should not only be sufficient for all but that there be left also a surplus of products for increasing social capital and for further developing the productive forces."¹

Social utility of the product

While preparing for and carrying out its co-ordinated economic activity, society is faced with a number of questions, namely: what needs of the members of society should be taken into account by society and be fully satisfied, what products should be included in the national economic plan and in which order they should be produced.

Out of the entire mass of material wealth necessary to satisfy calculated needs, society selects for production those products which, according to the *degree of their social utility*, most fully correspond to the historically conditioned, rational requirements of all members of society at the given level of development of production.

The C.P.S.U. has repeatedly drawn the attention of the Soviet people to the need to fix production targets which take into account the social utility of products. The neglect of this demand was responsible, for instance, for the delay in the change-over of the railways to diesel and electric traction, even though diesel and electric locomotives were first invented in our country. The same thing happened in industry where the introduction of many new machine tools, highly productive spinning machines, etc., was delayed.

¹ F. Engels. *Grundsätze des Kommunismus*. Marx-Engels, *Werke*, Bd. 4, S. 371.

This does not take into account the requirements of the world market and the conditions prevailing in it. Naturally, if there should be a shortage or even complete absence in the country of certain types of articles, society must provide for the creation of a relative surplus of some means of production and means of consumption for export to finance the import of the articles it lacks.

Take the production of raw materials. The supply to industry of high quality raw materials is of great economic importance. Planned geological prospecting for mineral resources and the development of known deposits are a direct concern of society. For the economy to function normally the reserves of mined minerals must always exceed current requirements.

But, the question arises, which minerals should first be mined? Society is able to answer this question only after it has appraised the social utility of each one. Will it be more profitable for society to accelerate the extraction of coal, or of oil and natural gas? For what purposes—for fuel or chemical processing—is it more useful to extract these natural resources and in what proportions? The same questions arise when it is necessary to determine targets for the extraction of various ores. They also apply to the production of various industrial crops, and the building of machinery to process them.

The need to appraise the social utility of products applies to no less a degree to the production of essential consumer goods. Generally speaking, one of the most important requirements that must be satisfied in order to achieve truly rational, co-ordinated economic management is respect for this all-important principle.

What is the measure of the social utility of a product, and how is it determined? Is it possible to determine the social utility of a product?

To determine the utility of a product is generally a very subjective matter and therefore cannot be absolute. The utility of an article is determined by different people in accordance with their inclinations and tastes, in different ways. However, it is not the individual utility of a thing we are concerned with, but with its *social* utility. Admittedly, the social utility of a product is not isolated from its individual utility, but in the final analysis it is the gist of individual utility, being free of the differences of individual evaluations, which do not prevent a scientific definition of the objective utility of the product from being established.

At the same time, the social utility of a product cannot be established in all conditions of society's economic life. "Utility", Engels aptly remarked in this connection, "cannot be defined, at least not while people are still enmeshed

in the contradictions"¹ of capitalist economy. For the definition of the social utility of an article to become possible in the absolute sense (which does not reject but ultimately takes into account variations in the article's individual utility), it is essential to destroy the domination of private ownership of the means of production by socialist revolution.

In the capitalist world it is not what good an article is to the people that serves as the criterion of its utility, but what good it is to the capitalists; it is the magnitude of the profit it yields that decides its utility. The capitalist does not care whether an article has any genuine utility for people or not—all he wants is to derive a profit from his commodities, even if they are harmful. This explains the enormous increase in the production of means of destruction. It also explains the "falsification" of output, the large share in production of "cheap stuff", which consumers are forced to buy because they do not have enough money to buy high-quality goods. Bourgeois economists speak of "marginal utility", and attempt to counterpose this notion to Marx's theory of labour value in order to remove the stain of exploitation from capital and to present capitalist profit as the difference between subjective evaluations of the utility of articles.

Socialist (communist) society, in which material wealth is produced for the full satisfaction of the needs of all people, cannot determine the utility of an article by the profit yielded by its realisation.

In the communist formation the utility of every article can be determined only according to the use it actually has for people, i.e., for the development of their productive forces, the development of their abilities, the improvement of their health, the lengthening of their span of life, etc. Hence, *the greater the positive effect an article has on the development of man, his life, his creativity, and on development of the productive forces, the greater is the social utility of that product.*

But socialist society still has to set up a network of research institutes to elaborate (at the juncture of many special branches of the natural and social sciences) a meth-

¹ F. Engels, "Umrisse an einer Kritik der Nationalökonomie" Marx-Engels, *Werke*, Bd. 1, Dietz Verlag, Berlin, 1956, S. 506.—Ed.

odology for determining the social utility of products and the degree of that utility.¹

Naturally, the determination of the degree of the social utility of an article, even on a collective scale, is a very complex process. Offhand, we can only say that first order social utility is possessed by products essential to the normal vital activity of the human organism—foodstuffs and the means for their production. Obviously, means necessary for the expansion of production follow immediately after as social utility of the second order. So do all the means required for the all-out, free development of the personality of every member of society. It is no less obvious that luxury articles (which are included among the articles needed by people in socialist society) cannot be included among articles having either first or second order social utility. However, the growth of abundance and the growth of culture steadily increase the importance of articles which add to the comforts of life, and provide intellectual and moral enjoyment to the members of socialist society, making the content of their labour and leisure more and more in keeping with the dignity and real needs of man.

The quality of products also exerts a major influence on the degree of their social utility. For this reason all products made in socialist (communist) society must be of the *highest* quality, and there must be no deception and falsification and production of "cheap stuff". Needless to say, only the production of articles of the highest quality satisfies the requirements of the basic law of the communist formation.

Choosing articles for production according to the degree of their social utility, society inevitably encounters different articles possessing an identical degree of social utility and satisfying an identical want. In that case, *ceteris paribus*, the amount of labour required for their manufacture

¹ The Austrian school of bourgeois political economy has created a subjective psychological theory of "marginal utility", which is based on a subjective evaluation of the utility of commodities. According to this theory the value of a commodity (or service) is determined by the subjective utility of the "marginal unit". We shall not criticise this theory here (this has already been done by Marxist-Leninist political economy) but shall note that some economists in socialist countries often confuse the theory of marginal utility with the demand by Marxists for an objective evaluation of the social utility of articles and the degree of that utility.

serves as the main criterion in choosing between them. Society must also take into account the economic conditions in which these articles will be utilised. In different economic zones they may have different degrees of utility. Consider, for example, the production of electric power. Electric power is produced with the least labour expenditure at large hydroelectric power stations. But this does not mean that power should not be produced at thermoelectric power stations or even at small hydroelectric power stations. In some economic districts local natural conditions, transportation costs, the volume of production and other factors may involve a lower expenditure of labour and make more rational production at large power stations, in others at medium and even small hydroelectric power stations, in still others at thermopower stations and in some perhaps at several types of stations, etc.

Obviously, the degree of the social utility of an article determines the priority to be assigned to its manufacture and the labour time to be set aside for its production. The greater the social utility of an article the sooner should it be manufactured and the more labour time should be set aside for its production. Articles of the highest degree of social utility should be produced first, in a volume corresponding to the social need for them; and they should be allotted the amount of labour necessary for their production. Speaking of the communist formation, Karl Marx demonstrated his scientific foresight, when he said that "...the time of production devoted to different articles will be determined by the degree of their social utility".¹

Of course, when it is a question of working on new scientific problems and new equipment that will yield tangible results only in the future (often in the distant future), society, realising the social utility of scientific research, must dedicate to it the amount of labour time it is deemed to require.

Average socially necessary labour time

The amount of labour time at the disposal of society is limited. At each stage of social development it is determined by the number of able-bodied members of society and

¹ K. Marx, *The Poverty of Philosophy*, Moscow, 1966, p. 55.—Ed.

by the level of development of society's productive forces. The greater the number of able-bodied members and the higher the level of development of the social productive forces, the greater will be the amount of labour time at the disposal of society. The relation between the sum total of the given social needs and the size of the social productive forces (including the labour force) determines the amount of labour time society can set aside for the manufacture of the material wealth it requires. However, the amount of material wealth society may need to satisfy the requirements of all members may necessitate a larger amount of labour time than society actually has at its disposal. This makes the question of exactly *how much labour expenditure* is needed for the production of each socially useful article extremely important for socialist (communist) society. Without answers to it there can be no rational, co-ordinated management of the economy as a single whole. With full communism, too, to quote Engels, "it will ... be necessary for society to know how much labour each article of consumption requires for its production".¹

What labour time do we have in mind when we speak of the labour time society has to set aside for the production of a socially useful article?

The nature of modern production demands that an *equal* amount of labour time be expended on the production of every unit of the same kind of output. However, for many reasons this cannot be attained in practice. True, in collective labour, in the general result of labour, these differences are to a certain extent levelled out. But the labour time expended per unit of the same type of output differs from enterprise to enterprise. Socialist (communist) society cannot base its calculations on a multitude of different individual indices of labour expenditure for the production of articles of the same kind. It solves this difficulty by establishing the *socially necessary labour time*.

In studying this question, let us emphasise that we are concerned not with individual labour time expended by this or that worker on the production of a unit of a given type of output, nor with the labour time expended per unit of output at this or that individual enterprise. Neither do we have in mind only the best or the highest indicators of

¹ F. Engels, *Anti-Dühring*, Moscow, 1959, p. 426.

labour expenditure per unit of output achieved by individual enterprises or individual workers.

If society were to be guided by individual expenditure of labour time (be it that of an individual worker or an individual enterprise) it would never be able to find out how much labour is actually required for the production of a definite article. It is clear also that recognition only of the best indices would lead to the same result, since the highest labour achievements are never representative of the majority, even in automated production. What we need is an indicator of the labour time that must be expended on the production of a unit of a given type of product that is independent of individual variations. This can only be the *average* socially necessary labour time. It is computed not as a simple arithmetic mean of the labour expended by society on the production of a definite article, since this does not give the actual socially necessary labour expenditure per unit of output. This can be derived only by calculating the *average-weighted* amount of the labour expenditure.

This index is determined by calculating the relative proportions of the various groups of producers differing as regards the amount of the labour time expended by them on the production of a unit of the same kind of output. Hence, society must take into account differences in equipment, of production quotas, of practical mastery of them by workers of individual enterprises, differences in natural conditions, etc. And if the worst indicators turn out to be the predominant ones, then they must assume the role of the average socially necessary labour time per unit of output at the given stage of development.

Under socialism very bad conditions of production will determine the average socially necessary labour time only in exceptional cases. Average time should always coincide with the typical, mass expenditure of labour time. Under mature socialism this cannot possibly be the time relating to the worst conditions of production. In the final analysis differences in conditions of production in a society of associated producers cannot be the result of spontaneity in the development of social production. The development of the whole economy is controlled by society, which, proceeding from its objective possibilities, consciously determines which production conditions (the worst, medium or best) should be permitted (at the given level of development of

the productive forces). The prevalence of very bad conditions of production cannot be tolerated for a long time. Consciously determining what conditions should prevail, society consciously maps out the measures needed to improve them.

Essentially it is a question of using the methods of democratic centralism to establish scientifically measures of socially necessary labour expenditure, and then to create all the conditions necessary to ensure that these measures are adhered to. Otherwise the door is opened to spontaneous forces which can break up the producers' co-ordinated economic activity.

The measurement of labour expenditure not by the individual but by the average-weighted socially necessary labour time immediately makes the labour of every individual socialist worker not an isolated private activity, but labour of a directly social nature. *The average-weighted socially necessary labour time is a form of the movement of social labour.* It expresses not the relation between man and nature but the social interrelations of the associated producers in their joint, directly social work for their mutual benefit on a social scale. Ideally, this time should be the same for any product throughout the country, but in concrete historical conditions it may in fact be established only on a regional or zonal basis. Sometimes society has to spend part of its total labour time on projects in which labour time expenditure exceeds the average, for example, in the building and operation of atomic power stations, at which the labour expenditure per kilowatt of power is for a long time inevitably much higher than at conventional power stations.

The average socially necessary labour time is not a constant magnitude. It drops with the growth of the productive forces: the higher the level of their development, the less labour time is required per unit of output. The determination and amendment of the average socially necessary labour time is a continuous process.

The measurement of labour expenditure per unit of output by the average socially necessary labour time is an objective requirement of socialist (communist) social production. It is an *economic law* of the collective, rational utilisation of the labour of joint owners of means of production on a social scale.

In capitalist society the average socially necessary labour time is fixed spontaneously in the process of competitive struggle, and acts as a destructive force against those whose labour does not fit into the limits set by the average time.

In socialist (communist) society the average labour time asserts itself not spontaneously, but through the conscious activity of the producers, who reach a decision on the basis of calculations of labour time expenditure and the results furnished by it. In practice, the establishment of average labour time standards is linked with the struggle to overcome still persisting elements of spontaneity, but this shows that it is not spontaneity that governs the establishment of these standards. Therefore, the average socially necessary labour time acts under socialism (communism) not as a destructive but as a creative force, ensuring the comradely co-operation of all working people.

Distribution of social labour

The correct distribution of social labour among the various branches of production is one of the most important and most difficult economic tasks of co-ordinated economic management. It is precisely the rational distribution and utilisation of the labour force that expresses the conscious domination by the associated producers of their production relations.

In socialist (communist) society the distribution of labour presupposes that production be subordinated to the aim of ensuring the full satisfaction of the constantly growing vital requirements of all its members. Therefore, labour cannot be a duty only of a particular social stratum of the population. *The production of material and spiritual wealth is the natural duty of all able-bodied members of socialist (communist) society.*

The able-bodied population must produce material wealth enough for itself plus a certain reserve (including commodities for export), and must also provide for dependent and incapacitated members of society and for people engaged in unproductive yet socially necessary labour. According to estimates dated January 1, 1961, children and old age pensioners alone accounted for 39 per cent of the U.S.S.R.'s population.

Material wealth must not be produced under socialism by subjecting those engaged in production to excessive strain, as is typical of capitalism. In socialist (communist) society, even with a rational division of labour, production requires a much larger labour force than production of the same scale under capitalism. Workers in capitalist countries often complain that owing to over-exertion at work they lack the time and energy, for reading, for example. And this with all the unemployed!

In socialist (communist) society such overstrain can never be a regular thing, since it is contrary to human nature and inconsistent with the rational use of labour.

While the labour of the aggregate worker (i.e., all workers taken together) under socialism (communism) is all socially necessary, it is divided into *productive* and *unproductive* labour. Since the need for material wealth is the principal requirement of society, *productive labour naturally plays the leading role* in the life of society.

The requirements of society for material wealth may be divided into requirements for means of subsistence and means of production. In accordance with this division the productive labour of the aggregate worker is in turn divided into two parts. The part of labour set aside by society for the production of means of subsistence, that is, articles necessary to satisfy the individual requirements of all members of society, is termed *direct necessary labour carried out for society as a whole*. The part of labour that is used for the production of articles necessary to satisfy common requirements, i.e., those over and above purely individual needs (meaning, primarily, accumulation) is called *surplus labour carried out for society as a whole*.

This division of the socially useful productive labour of the aggregate worker (all of which is necessary labour) into two parts, is possible because both parts produce articles that are needed by the associated producers and satisfy their individual and common requirements.¹

Karl Marx laid the scientific foundation for this division. "Assuming some form of social production to exist ... a distinction can always be made between that portion of

¹ The division of the aggregate labour of the joint owners of the means of production into two parts does not exclude the division of the labour of every individual producer in any branch of production into these same two parts. But of this more anon.

labour whose product is directly consumed individually by the producers and their families and—aside from the part which is productively consumed—that portion of labour which is invariably surplus-labour, whose product serves constantly to satisfy the general social needs..."¹ In another place, he wrote: "...the aggregate labour of the working-class may be so divided that the portion which produces the total means of subsistence for the working-class (including the means of production required for this purpose) performs the necessary labour for the whole of society. The labour performed by the remainder of the working-class may then be regarded as surplus-labour."²

Naturally, Marx has in mind the added product, since a certain part of the social product is used for the simple compensation of expended means of production.

The division of aggregate labour into two parts brings out the relative social importance of the various branches of production. It demonstrates that the branches of production in which labour assumes the character of surplus labour for the whole of society are particularly important, since it is in these branches that the means of production for the production of means of production are manufactured. These branches create the conditions which make possible the expansion of social production and the growth of the real wealth of society, since volume of output depends, as Marx noted, on the volume of the instruments of labour available, and on the speed with which they operate. The branches of production in which surplus labour for the whole of society is carried out, and which supply to the rest of the economy accumulated labour embodied in perfected means of production, promote the growth of labour productivity in all branches of the economy. It is the relation of these two parts of the aggregate labour of society that decides the proportion in which the added product is divided into the part going to consumption and the part going to accumulation. Under socialism (communism) the whole of the accumulated labour of society is a means of raising the living standard of all members of society. The branches of production in which surplus labour for the whole of society is performed, and which thereby help to

¹ K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 877.—Ed.

² *Ibid.*, pp. 632-33.

raise the whole of social production to the level of development at which social wealth will gush forth in a mighty stream, at the same time lay the foundation for a steady decrease in the length of the social working day.

Karl Marx wrote: "The actual wealth of society, and the possibility of constantly expanding its reproduction process, therefore, do not depend upon the *duration* of surplus-labour, but upon its *productivity* and the more or less copious conditions of production under which it is performed".¹

On this basis a society of associated producers is able to avoid excessive intensification of labour. Increase in productivity lightens labour, reduces the relative number of people engaged in a given branch of production and makes it possible to use the labour force thus freed in other branches, and to shorten the duration of the working day.

On the whole, we can say the following: *the more able-bodied members are engaged directly in production and the higher the productivity of their labour, the larger is the social product and the fuller is the satisfaction of the vital needs of all members of society. And: the more regularly productive labour is distributed among all able-bodied members of society, the less time do they have to spend on productive labour at the given level of labour productivity, and the more time are they able to assign to their personal development and to social activities.*

It is necessary, *first of all*, to consider how much labour time is required for the production of foodstuffs, since, as Marx remarked, "...all labour is primarily and initially directed toward the appropriation and production of food."² and "the less time society needs to produce wheat, cattle, etc., the more time does it win for other production, material and spiritual".³ The amount of labour time required for the production of foodstuffs will be the less, the higher the productivity of labour on the land and the greater the fertility of the soil.

The allocation by society of labour time to the branches of production performing surplus labour for society as a whole (to the branches producing means of production, with

¹ Ibid., p. 820. Author's italics.—Ed.

² Ibid., p. 632.

³ K. Marx, *Grundrisse der Kritik der politischen Ökonomie (Rohentwurf)* 1857-1858, D.V.B. 1953, S. 89.—Ed.

the help of which social labour productivity is raised in all branches of the economy, in the first place in agriculture) becomes the *main question* in the distribution of its total aggregate labour.¹

However, even though, in the U.S.S.R., the proportion of workers carrying out directly necessary labour to those doing surplus labour for society as a whole is, by and large, correct, the total number of people employed in the production of articles for individual consumption (notably of foodstuffs) is still higher in the U.S.S.R. than it should be at the obtaining technological level of production. The modern level of the development of the productive forces makes it possible further to change this proportion in favour of the production of means of production. For example, at present, every one of the thirty-four million people engaged in the U.S.S.R. in the production of foodstuffs (in agriculture, industry, transport and trade) provides food for six people, while in the U.S.A. each of the 19 million engaged in food production provides for ten people.

On the whole the distribution of the aggregate labour force among the branches of social production depends first and foremost on the level attained by labour productivity, next on the size of the aggregate labour force and, finally, on the labour force required for the production of the various kinds of material wealth.

Allocation of labour to the development of science and technology

Of special importance is the allocation by society of sufficient labour resources to the development of science, new equipment and technology. This need is especially urgent under socialist conditions since planned economic management requires scientific foresight.

¹ In modern conditions no less than two-thirds of labour time is spent on the production of means of production. This includes the production of electric power, the social importance of which has been vividly expressed by Lenin in his well-known formula: "*Communism is Soviet power plus the electrification of the whole country.*" Lenin included in the concept "electrification of the whole country" not only the production of electric power but the development of the whole material and technical basis of society.

Under socialism (communism) science becomes a direct element of production and of the whole of social life. This makes it a matter of concern not only to individuals but to society as a whole. Its achievements are appropriated not by individuals or individual groups, but by all members of society. Modern science needs not only the ability, talent and even genius of those engaged in it, but also a systematic expenditure of enormous funds and effort. This follows not only from the importance of science to communist society, but also from the nature of the development of science and of its application in technology. Science develops in a geometric progression, in proportion, as Engels said, to the mass of knowledge it has inherited from preceding generations. The body of knowledge grows vastly with every generation, reflecting the scientific and technological revolution now underway and enabling society to foresee events. Communism is, therefore, interested in the comprehensive, planned and rapid development of science, in abolishing any monopoly over science that could fetter its development, in making it part of the activity of the broad masses, who master its achievements in their daily practical work. In socialist (communist) society science has become a concern of everybody and this opens up new horizons for it and paves the way for its rapid development.

Modern social production calls for the co-ordinated, conscious use of the natural sciences, the development of new fields of science and technology, and the training of the necessary personnel to ensure this. While the economic effectiveness of scientific labour and work on new technology does not reveal itself immediately, scientific development provides the basis for the design and construction of new machinery and the elaboration of technological processes needed in practice, and hence also for the growth of social labour productivity. This is why enormous importance attaches not only to the solution of problems connected with the technological use of the findings of science, but also to the working out of fundamental theoretical problems, no matter how remote they may seem from immediate practical demands.

Society must allocate sufficient resources of labour and means for the elaboration of fundamental theoretical problems and those of applied science. The latter, too, demands that new equipment and new technological processes, new

branches of production, new power sources, new chemical processes, new electronic devices, etc., be projected well in advance of current requirements.

A generous amount of labour time should be allotted to the development of science, technology and the training of new personnel, in the interests of society as a whole. The number of certified engineers engaged in the Soviet economy is double the number working in the U.S.A. Over a period of 20 years (between 1940 and 1960) their number has grown by almost 300 per cent in the U.S.S.R. as compared with 200 per cent in the U.S.A. During the past 47 years (between 1914 and 1961) the student body has increased more than 20-fold, and the number of scientific workers more than 39-fold. The U.S.S.R. has left the U.S.A. far behind in these respects.

The allocation by society of labour to cover the social need for science, new equipment and the training of scientific personnel, should *outstrip* current requirements, because the results this yields more than repay the cost. The practice of Soviet economic management corroborates this fully. The development of the productive forces is particularly important at the present time, when the scientific and technological revolution is forging ahead, when the main role is played not by the quantitative growth of means of production, but by the creation of *qualitatively new* materials, power sources, and technological processes. This is leading to a reorganisation of the existing economic structure. Since already existing branches of the economy cannot develop successfully without the application of science, it is obvious that the creation of qualitatively new branches is possible only as a result of the direct application in industry and agriculture of new methods of science, as worked out in research laboratories and pilot plants.

The development of science and technology leads to a growth of labour productivity that makes it possible to increase the fund of labour time allocated for the satisfaction of people's cultural needs, and other social needs not connected with the production and distribution of material and spiritual wealth.

As we have already pointed out, the sphere of production is the decisive sphere for the application of labour in socialist (communist) society. But this does not mean of course that all workers apply their efforts directly to objects

of labour. The aggregate labour force engaged in production may be said to consist of a number of bodies acting upon the objects of labour to a varying degree, i.e., *the greater is the automation of social production, the greater is the share of the labour of engineers and technicians*. It has been noted in Soviet literature that the ratio between the number of workers serving automatic lines and the number of specialists creating them may reach 1:10, i.e., one working in the shop for every ten working in the organisation designing the line. The growth of social labour productivity makes it possible to allot labour time to the mechanisation also of other types of work, which even though unproductive, are socially necessary, for example, to accounting. "Book-keeping," Marx wrote, "as the control and ideal synthesis of the process, becomes the more necessary the more the process assumes a social scale and loses its purely individual character. It is . . . more necessary in collective production than in capitalist production."¹

The working day and working conditions

The determination of the amount of labour time necessary for the production of the material wealth needed by society, the distribution of labour among the branches and zones of social production, leads us up to the question of the *duration* of daily labour. What determines the length of the working day under socialism (communism)?

The length of the working day is not an arbitrary quantity. It depends both on natural and social factors. There is a natural *maximum* limit to the length of the working day. A man is physically incapable of working for 24 hours every day. To preserve his normal working ability he has to rest every day, to sleep, to take time off for eating and for a number of other things. Besides, he needs time for intellectual development and for the carrying out of various social functions, according to the level of cultural development attained by the community.

However, the length of the working day cannot be *minimal*, that is, equal only to the length of the time man needs to produce the means of subsistence, i.e., for the reproduc-

¹ K. Marx, *Capital*, Vol. II, Moscow, 1967, pp. 137-38.—Ed.

tion simply of his ability to work. Marx called this time the *necessary labour time*, and the labour spent during that time, *necessary labour*.

It will be easily understood that society cannot develop without producing over and above minimum. Labour spent in excess of necessary labour is *surplus labour*, and the time during which it is spent, *surplus labour time*. "Surplus-labour in general," Marx wrote, "as labour performed over and above the given requirements, must always remain. In the capitalist as well as in the slave system, etc., it merely assumes an *antagonistic* form and is supplemented by complete *idleness* of a stratum of society."¹

Under socialism (communism) labour time is also divided into necessary labour time and surplus labour time. But the results of both are needed equally by the joint owners of the means of production and belong to them equally, so surplus labour cannot assume an antagonistic form. At the same time there cannot be an idle part of the population living parasitically by exploiting a hired labour force.

Marx foresaw that the length of the working day under socialism (communism) will be limited by necessary labour time.

"Only by suppressing the capitalist form of production," he said, "could the length of the working-day be reduced to the necessary labour-time. But, even in that case, the latter would extend its limits. On the one hand, because the notion of 'means of subsistence' would considerably expand, and the labourer would lay claim to an altogether different standard of life. On the other hand, because a part of what is now surplus-labour, would then count as necessary labour; I mean the labour of forming a fund for reserve and accumulation."²

Thus, *the length of the working day in a society of associated producers is determined by the amount of labour time needed for the production of means of subsistence for individual consumption and for the comprehensive development of the personality of each, plus the amount of labour time required for the production of such material wealth as is essential for the formation of a social reserve*

¹ K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 819. Author's italics.—Ed.

² K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 530.—Ed.

and for accumulation. The labour time spent on these needs together makes up the length of the working day corresponding to the given stage of the development of social production.

Unlike capitalism, socialist (communist) society is interested in seeing that the working day of its every member is of *normal* duration, i.e., it should not lead to an early decrease of his ability to work, and shorten his life expectancy.

The length of time that a man's labour power is used each day must correspond to its normal wear and tear, as determined by the relevant sciences. The labour power of a man can and must be transformed into labour "as much . . . as is compatible with its normal duration, and healthy development"¹. This is the *law* of the conscious fixing of the working day under socialism (communism).

The fixing of the normal length of the working day depends on the level of the development of social production; on the degree of labour intensity and the preparedness for it of the labour force; on the physical abilities of people, and on a number of other factors. Socialist society fixes the normal duration of the working day for every given stage of its development on the basis of the findings of scientific research into physiology and labour organisation, and on the basis of a careful determination of the social functions that must be carried out by the members of society, given the level and needs of social development. At the end of 1960 the average length of the working day for adult industrial workers was fixed in the U.S.S.R. at 6.94 hours, almost three hours less than that in Russia in 1913.

Taking account of the differences in the physical abilities of adults and adolescents, and of men and women, Soviet society has limited the working day of 16-18-year-olds to 6 hours, and of 15-year-olds to 4 hours, and has prohibited the employment of women in jobs harmful to their health.

The working day has been shortened in those branches of production in which prolonged work is injurious to workers' health. For example, in underground work in the coal and other mining industries, it is only six hours; in the

¹ Ibid., p. 234.

chemical industry and in shops and enterprises in which harmful conditions obtain, it is 4-6 hours.

In his quest for profits the capitalist strives to extend the duration of labour time to its physical maximum. "It is not the normal maintenance of the labour-power which is to determine the limits of the working-day; it is the greatest possible daily expenditure of labour-power, no matter how diseased, compulsory, and painful it may be, which is to determine the limits of the labourers' period of repose. Capital cares nothing for the length of life of labour-power. All that concerns it is simply and solely the maximum of labour-power, that can be rendered fluent in a working-day. It attains this end by shortening the extent of the labourer's life, as a greedy farmer snatches increased produce from the soil by robbing it of its fertility."¹

Only through tenacious struggle is the working class able to make the capitalists reduce the working day to some extent, without at the same time reducing wages. But this does not decrease the exploitation of workers. On the contrary, the capitalists seek new means to intensify it. Marx wrote that "in the history of capitalist production, the determination of what is a working-day, presents itself as the result of a struggle, a struggle between collective capital, *i.e.*, the class of capitalists, and collective labour, *i.e.*, the working-class."²

Only in a society of associated producers does the confining of the use of man's labour power within the limits of its normal duration become a conscious principle governing the fixing of the length of the working day. This principle is also taken into account when, in cases of emergency, the associated producers consider it essential to prolong the working day. However, such extensions are always exceptional and of a temporary nature. For example, foreseeing the impending attack by nazi Germany, the Soviet people in 1935 decided to extend the working day to 8 hours. During the Great Patriotic War (1941-45), to meet the demands of the front, the workers of many enterprises often extended their working day even beyond these limits. In peace-time, the working day may be extended in agriculture during the busy season. It may also happen for

¹ K. Marx, *Capital*, Vol. 1, Moscow, 1965, p. 265.—*Ed.*

² *Ibid.*, p. 235.

short periods on construction sites. However, the introduction of overtime must in all cases be approved by the relevant workers' collectives, by every single worker, and the additional energy expended by the workers must be fully compensated. This compensation must ensure the complete restoration of the working ability of each worker. Overtime must not shorten the normal duration of a man's ability to work or arrest the normal development of that ability.

Socialist (communist) society is concerned not only with fixing a working day of normal duration but also with creating *normal production conditions for every worker*. This is an objective need of social production for only in normal production conditions can people's labour power be used normally and, hence, most effectively.

The concept "normal production conditions" is meant to include the timely supply to each worker of means of production, and a definite organisation of the production process, so as to ensure the fulfilment of each operation with a minimum outlay of physical power and with normal labour intensity.

Socialist enterprises are not "sweat shops". On the contrary, a socialist enterprise can be characterised as a place of productive creation, in which there is no exploitation of man by man. For this reason *production conditions must be favourable to, and worthy of human nature*.¹ Every worker is given light, fresh air and working space according to scientifically worked out standards. He is also guaranteed safe working conditions, medical supervision, prophylactic treatment and other medical and technical services. Karl Marx observed that production should exist solely for the worker and expressed his agreement with the views of one of his contemporaries who wrote that "factory labour may be as pure and as excellent as domestic labour, and perhaps more so".²

Normal conditions for collective labour, as also a normal duration of the working day, are a law of the social production of the joint owners of the means of production. Design organisations, the administrations of enterprises, state sanitary inspection bodies, and commissions of the

¹ See K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 820.—Ed.

² K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 490.—Ed.

trade unions for labour protection, check to see that normal production conditions prevail at enterprises. Only day-to-day attention to this economic need on the part of society as a whole can ensure its satisfaction.

Under capitalism, the owner of the means of production does his utmost to economise on the living conditions of the wage-worker he exploits. "Such economy," Marx wrote, "extends to overcrowding close and unsanitary premises with labourers, or, as capitalists put it, to space saving; to crowding dangerous machinery into close quarters without using safety devices; to neglecting safety rules in production processes pernicious to health, or, as in mining, bound up with danger, etc. Not to mention the absence of all provisions to render the production process human, agreeable, or at least bearable. From the capitalist point of view this would be quite a useless and senseless waste. The capitalist mode of production is generally, despite all its niggardliness, altogether too prodigal with its human material..."¹

The hard-fought class struggle of the working class has succeeded in forcing the capitalists to introduce certain improvements in working conditions. However, the "economising" on production conditions described by Karl Marx remains part and parcel of capitalism even today. This is demonstrated by the growth of industrial accidents. In West Germany between 1950 and 1960 they increased (per 1,000 of the employees) by 50 per cent, while in the German Democratic Republic during the same period they decreased by 12 per cent and were 63 per cent lower than in West Germany.

Under socialism (communism) such "economy" on working conditions is excluded as a matter of principle, for it leads to a waste of the workers' health and life. The creation of normal working conditions, worthy of man, is not a whim, not a luxury, not a waste but an objective need ensuring not only humane production conditions but also the growth of labour productivity.

The normal length of the working day, as we have already noted, is not an immutable quantity. Its main tendency is to contract. This is an objective demand of social production. And the higher the intensity of labour the

¹ K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 86.—Ed.

shorter, relatively, must be the working day. Marx expressed this relation in what he described as a self-evident law, according to which "the efficiency of labour-power is in an inverse ratio to the duration of its expenditure".¹

The growth of labour productivity makes it possible to shorten the working day. The shortening of the working day is provided for in the Programme of the C.P.S.U., adopted by the 22nd Party Congress. It envisages the transition between 1961 and 1980 to a six-hour working day for adult workers in all industries, with comparable decreases for adolescents and workers in harmful jobs. However, the working day cannot be reduced indefinitely.

"The shortening of the working-day finds," Marx said, "at last a limit in the generalisation of labour,"² i.e., in the even division of work among all the able-bodied members of society. Under socialism the universal nature of labour means a full employment of the aggregate labour force of society (corresponding to the given conditions of the development of social production).

Leisure

Decrease in the length of the working day is not only a result of the growth of labour productivity but it is also a condition for its growth. *Like the time spent on production, time free from productive labour is socially necessary in socialist (communist) society.* It is needed by society not only for its members to rest, but also for their social activity and, notably, for the all-round development of their personality.

Socialist (communist) economy, as Engels foresaw and present-day practice corroborates, needs all-round developed people.

"Joint management by society and the production development arising therefrom will require different people and will mould them accordingly.

"The joint and planned management by society of industry presupposes people whose abilities are *developed*

¹ K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 410.—Ed.

² Ibid., p. 530.

comprehensively and who are able to understand the working of the whole system of production."¹

The higher the development of the scientific and technical basis of production, the higher must be the development of people's abilities, the greater the development of the human personality and, hence, the longer the time free from productive labour.

Socialist (communist) society is directly interested in the all-round development of the personality of each of its members. It does not and cannot suppress the individuality of men but develops it in every way by ensuring to each member of society a general and specialised education, the possibility constantly to deepen his knowledge and to develop his abilities. This, as we have seen, is one of the main expressions of the unity of the common and personal interests of the members of socialist (communist) society. The joint comradesly labour and comradesly intercourse of the members of socialist society brings out clearly the inclinations and abilities of each member of society. Socialist (communist) labour is essentially creative. The labour process under socialism (communism) demands of people that they expand their horizons, deepen their knowledge and apply it creatively.

Without the all-round development of the personality, labour cannot be transformed into a vital need of man, into enjoyment, into creativity, as labour should be. This development requires that there be time free from production.

Socialist (communist) society shortens the working day according to plan and extends the working people's spare time as labour productivity grows. Spare time forms on the basis of a rational regulation by people of their "metabolism" with nature, on the basis of the minimum expenditure by them of their energy in the process of production, carried on in a way worthy of man. On this basis, as Marx wrote, "begins that development of human energy which is an end in itself"² in a truly human society, i.e., under full communism.

The economic problem of time free from productive labour is a problem only of socialist (communist) relations

¹ F. Engels. *Grundsätze des Kommunismus*. Marx-Engels, *Werke*, Bd. 4, S. 376.—Ed.

² K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 820.—Ed.

of production. Therefore, the economic category of socially necessary spare time is characteristic only of the political economy of socialism (communism). Political economy has still to discover the regularities concealed in this category.

Socially necessary spare time, an economic category of socialism (communism), is a thing bourgeois economists cannot grasp, because it is not the sort of economic phenomenon they normally deal with. For them the spare time of the producer is time lost to the production of surplus value and they understand it mainly as unemployment and semi-unemployment. Naum Jasny, an American bourgeois economist, in his article "Plan and Superplan" published in a book called *The Future of Communist Society* (New York, 1962), striving at any cost to prove that the economic tasks of the C.P.S.U. Programme adopted by the 22nd Party Congress are unreal, writes: "It seems to have escaped their notice that the combination of the provisions for output with those for labour productivity in the plan implies a tremendous amount of unused labour. After having boasted about the absence of unemployment for some 30 years, they suddenly programme unemployment on a fantastic scale."¹

Since the problem of the all-round development of the personality of everyone does not exist under capitalism, this so-called specialist on Soviet economy fails to understand that economic plans provide not only for the growth of labour productivity but also for *the growth of the socially necessary spare time of the members of socialist (communist) society needed for their all-round development*. This presupposes in its turn the full employment of the able-bodied population. The planned relation between growth of output and growth of labour productivity takes this objective social need of socialism (communism) into account.

The law of labour time economy

The question of the distribution of social labour is not the only question that we have to deal with in the disposal of the labour resources of society. Co-ordinated economic

¹ *The Future of Communist Society* ed. by W. Laqueur and L. Labedz, New York, 1962, p. 38.—Ed.

management demands that the material and labour resources of the entire economy be used rationally and economically, and it is only on this basis that the abundance needed by society can be attained.

The demand for the rational, economical use of material and labour resources (or, what is the same, of living and embodied labour) is not of subjective origin, but is an objective demand of the social economy as a whole. It follows from the basic economic law of the communist formation. If this demand is not obeyed consciously and, hence, if there is no unity of action in the production and distribution of material wealth, the joint owners of the means of production will not be able to ensure their welfare, nor to extend the time they are free from productive work. A disorderly, irrational and therefore wasteful use of society's productive forces naturally does not contribute to the creation of abundance.

In order to manufacture more products than formerly, given the same labour productivity, there has to be increased expenditure of social labour. But the all-out development of the personality of each member of society requires that the time free from production be extended, that is, that the working day be shortened. Thus, a contradiction seems to emerge. But the expedient, rational and economical use of available labour time provides society with the solution to this apparent contradiction of social production. *Economy of labour time* enables society to attain maximum production with the minimum outlay of labour. Thus, the economy of labour time leads society towards abundance, and at the same time increases the spare time of society.

All calculations of labour expenditure are aimed at achieving such an inverse ratio between labour expenditure and its results. Obtaining the maximum output with the minimum expenditure of labour per unit of output, or economy of labour time, is an essential characteristic of efficient economic management. In other words, *the economy of labour time is an economic law* of a co-ordinated economy.

Studying the economic life of society at its various stages, Marx noticed that the whole content of economy can, essentially, be reduced to the economy of labour time. However, it is only in socialist (communist) society that this law acquires absolute significance. In capitalist society

the economy of labour time is implemented only for the sake of increasing the profits of the capitalists. For this reason it generally assumes a freakish expression in the waste of the workers' working abilities, which is curbed only in the course of the class struggle to the extent of the working people's organised resistance.

It is only under socialism (communism) that the economy of labour time becomes the *primary* economic law of society. "The economy of time," Marx wrote, "just like the organised distribution of the labour time among the various branches of production continues to be the *primary* economic law underlying social production. It becomes, *to the highest degree*, a law."¹

Developing this Marxist proposition and proceeding from the practice of socialist construction, the C.P.S.U. has formulated the law of socialist economic management—the achievement in the interests of society of maximum output with minimum outlay of resources.

The most effective way to economise labour time is to raise labour productivity. But labour time may be economised even while the ratio between embodied and living labour remains unchanged. This economy can be made *by the full and rational use (in keeping with the level of development of the productive forces) of the material and labour resources of society, and by the abolition of routine production methods*, which are an intolerable waste of social labour. This is the *primary* and the simplest expression of the law of the economy of labour time on a social scale.

In socialist society the law of the economy of labour time has a wider scope for action than in capitalist society, because socialist production relations by their very essence exclude waste of labour time. However, there are still many shortcomings in practice in the application of this law in socialist society. These are the losses of labour time due to unjustified stoppages in production, waste of materials, irrational uses of the labour force, etc. Since these shortcomings do not spring from the essence of socialist relations, their abolition is both possible and inevitable.

A special form of the operation of the law of the economy of labour time is the drawing closer together (at the

¹ K. Marx and F. Engels, *Archives*, Russ. ed., Vol. 4, p. 119. Author's italics.—*Ed.*

obtaining technical level of production) of the actual labour expenditure per unit of output and the scientific estimate of it, with a resulting decrease in the size of the average socially necessary labour time.

The law of the steady growth of social labour productivity

The highest form of the operation of the law of the economy of labour time is the growth of social labour productivity. "The greater the productiveness of labour, the less is the labour-time required for the production of an article, the less is the amount of labour crystallised in that article."¹ The less labour is expended on the production of each manufactured article, the greater is the amount and the wider the range of articles that can be produced with the given labour force.

The productivity of labour is determined by many factors. Marx noted that it depends on "the average amount of skill of the workmen, the state of science, and the degree of its practical application, the social organisation of production, the extent and capabilities of the means of production, and by physical conditions".²

But the most effective way to raise labour productivity is to increase the efficiency of the means of production. Their improvement impels new advances in science and in its practical application, and encourages the raising of the general educational and cultural levels of the working people. Increase in labour productivity is expressed materially in the growth of the productive forces, and in the development of the branches of production employing surplus labour for society as a whole.

However, growth of labour productivity is not exclusive to socialism (communism). It occurs in all social formations and each of them stamps it with a mark of its own. Under capitalism (as in all preceding class societies), increases in labour productivity usually militate against the workers' interests. Improvements in production often lead to a state of affairs where surplus wage-workers are thrown on to the streets. For this reason the trade unions are at present protesting sharply against the transition to auto-

¹ K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 40.—Ed.

² Ibid.

mated production. For this reason, too, the workers exhibit no special initiative in raising the productivity of their labour. This takes place only under the constant pressure of competition, as a result of the acute competitive scramble of capitalists for profits. The capitalist always prefers the establishment of monopoly prices or the sheer waste of the working ability of the workers to improvements in production as ways of raising labour productivity.

Labour productivity grows in capitalist society spontaneously, anarchically, as a result of the interaction of mutually competing enterprises. But often it marks time, and even drops under certain conditions. The growth of labour productivity under capitalism can be considered an economic law only if these specific features are taken into account. And because of these specific features this law has in capitalist economy not an absolute but a conditional or relative significance.

Bourgeois economists have advanced the theory "of diminishing returns", according to which successive capital investments are characterised by relatively decreasing productivity. Marxism has subjected these statements to an annihilating criticism and has revealed their class basis. Additional capital investments made on the basis of old equipment will undoubtedly yield diminishing returns. But what we are talking about is the growth of labour productivity engendered by the development of technology.

Under socialism (communism) the growth of labour productivity is an expression of the *comradely relations of the joint owners of the means of production*. The growth in the productivity of their labour is not a result of compulsion but is a natural requirement of social production.

The growth of labour productivity ensures the output of an ever-increasing mass of products for society. Without this development of the productive forces, of the material and technical basis of society, there can be no consolidation and development of socialist (communist) social production. This is why Lenin attached such enormous importance to the growth of labour productivity.

"In the last analysis," Lenin said, "productivity of labour is the most important, the principal thing for the victory of the new social system",¹ because, as he mentioned fur-

¹ V. I. Lenin, *Collected Works*, Vol. 29, Moscow, p. 427.—Ed.

ther in the same work, "communism is the higher productivity of labour—compared with that existing under capitalism—of voluntary, class-conscious and united workers employing advanced techniques".¹

The constant and relatively quick, conscious raising of the labour productivity on a country-wide scale in the interests of all members of society is a law of the associated producers' economy. This law is of a specifically socialist nature and operates in socialist (communist) economy not in a relative but in an absolute and unconditional way.

The high rates of growth of labour productivity in socialist (communist) society are not temporary or conditional phenomena, but constant ones. They are much higher (and must be much higher still) than growth rates under capitalism.

The supremacy of socialism (communism) over capitalism in the growth rates of labour productivity and industrial production is explained by the abolition of such fetters as the spontaneous and anarchic nature of capitalist production, and the consequent uneven development of social production under capitalism.

Under socialist (communist) production relations there are no commercial secrets, i.e., production secrets carefully guarded by some enterprises from others, no buying up of patents and new inventions by monopolies with the intent of shelving them, no parallel, unco-ordinated research. Owing to the general advance in people's education workers acquire more and higher skills in their professions in less time. The high levels of general education and professional training create conditions in which the numbers of inventions and improvements in production assume a mass scale². Again, the increase in the number of specialists and of research workers, and the planned co-ordination of their creative activity helps to accelerate scientific work and to apply scientific findings in technology.

If we observe the economic development of countries with different socio-economic systems over a long period of time and compare their productivity growth rates, the

¹ V. I. Lenin, *Collected Works*, Vol. 29, Moscow, p. 427.—Ed.

² For example, according to data of the U.S.S.R. Central Statistics Board, about 1,400,000 inventions and proposals for improvements in production were introduced into the economy during the first half of 1965 alone.

advantages of socialism over capitalism become obvious. Only comparison over a long period will reveal actual as against temporary growth rates and make the comparison objective.

Thus, between 1913 and 1961 the rate of growth of labour productivity in the U.S.S.R., despite the various difficulties experienced by the country, was almost four times as high as the rate of the growth in the U.S.A. over the same period. Of course, under specially favourable conditions the growth of labour productivity in individual capitalist countries may accelerate substantially; but this is always a conditional, temporary phenomenon. This happened in West Germany, Italy and Japan after the Second World War.

Even bourgeois economists cannot deny the relatively high rate of growth of labour productivity in the socialist countries, and the high rate of industrial development connected with it. But on the basis of their law of diminishing returns they stubbornly insist that these rates will inevitably drop to the level typical of modern capitalism. Vladimir Katkoff, an American bourgeois economist, prophesied: "...the Soviet Union, as any country for that matter, cannot maintain its past high industrial growth rate indefinitely; the law of diminishing returns rules out the idea that high investment rates will always result in high growth rates."¹

Of course, at the present level of development in the U.S.S.R. the rate of growth of industrial production is lower than it was, for example, during the industrialisation period. This is only logical. Between 1930 and 1940, the average yearly rate of growth of the gross industrial output was 16 per cent, while between 1950 and 1959 it was 11.7 per cent. But during the period of industrialisation in the U.S.A., i.e., between 1870 and 1880, the average yearly rate of growth of manufacturing industry was 7 per cent, while between 1950 and 1959 it was only 3.4 per cent.

¹ V. Katkoff, *Soviet Economy 1940-1965*, Baltimore Dangary Publ., 1961, p. 518. According to bourgeois economists, production growth rates must slacken in the U.S.S.R., since, they maintain, it is impossible to keep up so high a rate of capital investments in industry—because of increased investments in housing construction, trade and agriculture, and because, they say, the rate of growth of the labour force decreases, continued high productivity growth rates are unrealistic, and so on.

Between 1954 and 1963 the average yearly rates of growth of industrial output in the U.S.S.R. and in the U.S.A. were respectively 10.5 and 3.1 per cent. This shows that during the periods under review growth rates were 2 to 3 times higher in the U.S.S.R. than in the U.S.A.

The growth rate of labour productivity is also higher in the U.S.S.R. In the U.S.A. labour productivity was 113 per cent higher in 1949 than in 1939, and in 1953 it was 113 per cent higher than in 1949; while in the U.S.S.R. it was 137 per cent higher in 1950 than in 1940, and 144 per cent higher in 1955 than in 1950. In other words, in the U.S.S.R., taken over a long period, we observe not a drop of production growth (fluctuations for various reasons within definite periods are unavoidable), nor a drop (also taken over a long period) in the rate of growth of labour productivity, while in the U.S.A. both the production and the labour productivity growth rates tend to decline (in 1930 as against 1920 it was 167 per cent, in 1939 as against 1930—125 per cent, in 1949 as against 1939—113 per cent).

Of course, if we take certain years individually, say, 1963, we may observe a relative slackening of industrial development and the growth of labour productivity in the U.S.S.R. But this slackening is not a manifestation of the notorious law of diminishing returns but a result of a number of temporary causes, which have been successfully overcome by the economic reform that has been implemented since 1965.

The maintenance of a steady increase in labour productivity depends among other things on improvements in the skills of co-ordinated management on a social scale, and on the success with which objective economic laws are applied. However, even fluctuations in labour productivity due to violations of economic principles at a managerial level cannot alter the overall tendency of labour productivity to grow.

The direct subordination of social production to the aim of achieving the full welfare and all-round development of the personality of every member of society, and the constant growth of social needs, inevitably makes the rates of growth of both labour productivity and industrial production higher under socialism than under capitalism. That is why the Soviet people, headed by the C.P.S.U., its vanguard, have achieved a steady and relatively rapid growth

in the social productivity of their labour and in industrial production.

The steady growth of labour productivity is the cornerstone of the policy of communist construction. Without the growth of labour productivity to a level far and above that of capitalism, there can be no transition to communism. High labour productivity can be attained only on the basis of technological progress, on the basis of the all-out development of science and technology, the extensive mechanisation and automation of production, and advance in the cultural and technical level of the working people.

At the present time, the U.S.S.R. holds second place in the world as regards the level of labour productivity, but first place as regards the rate of growth of labour productivity (provided comparisons are made over a long period of time and not for particular years).

Distribution and size of enterprises

The co-ordinated management of the economy as a whole presupposes not only the determination of the social utility of products (and the quantity and the quality of the products that are to be produced and the labour required for that purpose) but also the co-ordinated *distribution* of enterprises throughout the country and the determination of their size. These questions are all indissolubly connected with the problems of the economy of labour time and the achievement of a rise in the productivity of labour. Under socialism the distribution of enterprises and their sizes must accord with the demand for a rational, thrifty utilisation of labour time and the production of more and more output with less and less labour. The correct solution of these questions depends on many circumstances. The extractive industry must, of course, be located where mineral resources are plentiful. Manufacturing industry must be located near raw material sources and also near the market for its output. At the same time the demand for maximum productivity (the rational use of the means of production and the labour force, so as to give the highest yield of output with minimum outlay) makes it necessary to distribute industry *uniformly* throughout the country and to combine industrial and agricultural labour correctly.

Transport plays an enormous role in all questions connected with the location of production. In the U.S.S.R. it accounts for about 20 per cent of total social labour.

Transport is a means of linking industry and agriculture in the interests of the people, and a means of distributing output, or of moving it from the sphere of production to the sphere of consumption. The level of the development of transport determines the relative proximity between the points producing raw materials and those consuming them. The extent to which transport is developed determines the length of time needed to link these points. This means that the higher the productivity of transport—the less time products are in transit from point to point—the more extensively are the more remote regions of the country drawn into economic life, and the more remote can be the markets for which enterprises work (including the world market).

The solution of the problem of transport is a complicated task. Its solution is one of the criteria of the economic rationality of the distribution of enterprises. Articles can be considered finished products only when they have been put within reach of the consumer. The speed with which they are transported and the amount of labour expended per unit of freight transported are important factors deciding the total outlay of social labour per unit of output.

The calculation of transport costs helps to solve the question of whether enterprises should be located nearer to raw material sources, or to consumers, or whether an optimal combination of the two can be achieved. For example, it will help to decide whether the use of sources of raw materials relatively remote from a given enterprise will yield a greater national economic effect than the use of those sources closest to it. The development of the various means of transport steadily opens up new possibilities for the optimal solution of the problems of the most rational distribution of enterprises.

Given identical transport facilities, it may be unprofitable to organise the extraction of minerals in one place and profitable to do so in another. Again, given the prevailing transport facilities, it may be economically more rational in one case to bring the raw material to the consumer (producer), and in another, to move him closer to the raw material and to transport the product.

To determine the correct scale of output of a certain product and the correct size of the enterprise required to produce it, a number of factors have to be taken into account. These include the social need for the product; the labour productivity attained in its manufacture, and the territorial size of the market for its consumption. Together these factors make it possible to calculate what, given the obtaining transport facilities, will be the most rational maximum size of the area for the consumption of the products put out by a given enterprise. The size of the enterprise itself is determined in accordance with all the above conditions: generally it will be a *large* enterprise. This is because modern levels of labour productivity as a rule call for large-scale production. "The increased scale of industrial establishments," Marx wrote, "is the starting-point for a more comprehensive organisation of the collective work of many, for a wider development of their material motive forces—in other words, for the progressive transformation of isolated processes of production, carried on by customary methods, into processes of production socially combined and scientifically arranged."¹

The concept "large-scale production" is a relative one. What is considered large in one area, may not be large at all in another. What is considered large by society today may become medium and even small tomorrow. In the statistics of the first decade of the 20th century all enterprises employing 50 or more workers were considered large. Today, in the second half of the 20th century, enterprises employing 100 workers are not considered large (provided we exclude fully automated production).

The amount of labour employed by an enterprise does not in itself determine to what group (large, small or medium) an enterprise should be assigned. A better criterion in this respect would be the technical structure of production, i.e., the ratio of the mass of the means of production to the amount of human, i.e., living labour working them. Enterprises in which the technical structure of production is above average for the given economic region, must be classified as large enterprises, giving maximum output for minimum expenditure of labour. Large enterprises concen-

¹ K. Marx, *Capital*, Vol. I, Moscow, 1965, p.627.—Ed.

trate a mass of means of production, and because of this they are economically the most rational and hence the most productive. They are also the best suited for further expansion and for the acceleration of technological progress.

Economically the most rational of all are large *specialised* enterprises, equipped with highly sophisticated equipment and machines, so that they approach completely automatic production. Specialised enterprises really ensure maximum output for minimum outlay of labour. The specialisation of production calls for the standardisation of all equipment—whole assemblies, machine parts and, especially, interchangeable machine elements.

There are different forms of specialisation—of the finished product, of parts, of separate operations, etc. But whatever form it takes, *co-operation* is essential to all specialisation.

The productive activity of large specialised enterprises must be thoroughly co-ordinated with that of other enterprises on a national scale, i.e., there must be planned co-operation between them. "The development of the social productivity of labour presupposes co-operation on a large scale" (Marx).

The co-operation of enterprises can be *unilateral*, i.e., one enterprise acts only as a constant supplier of its output to other enterprises; or it can be *mutual*, i.e., enterprises jointly manufacturing a certain product specialise in the production of its parts or assemblies.

A special form of co-operation is the *combination of production*, by which is meant the amalgamation of diverse enterprises for the purpose of ensuring the minimum expenditure of labour at all stages of production—from the primary processing of the raw materials to the manufacture of the finished product, including the rational use of industrial waste (examples of such combination are ore mining-metallurgical-chemical combines).

Thus, the problem of the distribution of enterprises and the determination of their optimum sizes involves questions of specialisation, co-operation and combination of production. In socialist (communist) society all these questions can be solved only within the framework of a single economic plan.

The implementation of specialisation and co-operation

on a country-wide scale requires thorough and careful planning. It proved, however, that the switch over to the system of management by economic councils¹ interfered greatly with a single technological policy on a national scale.

The September (1965) Plenary Session of the Central Committee of the C.P.S.U. decided to change over again from management by local economic councils to management by branches, recognising that the leading role of centralised planned management in economic development was indispensable. This decision has accelerated technological progress and the development of interbranch co-operation.

The Communist Party, the vanguard of the Soviet people, makes the people aware of the fact that specialisation and co-operation in production is necessary for the most productive management of the economy. The Communist Party naturally assumes the main burden of responsibility for the organisation of common economic activity, for the analysis and generalisation of the results of that activity, leading the people in their efforts to reveal and overcome all shortcomings and difficulties. The discussion of economic questions, the main questions of communist construction, at Party congresses, Plenary Meetings of the Central Committee, at regional conferences, at meetings of the Soviets of Working People's Deputies, and the adoption of decisions on these questions—all this comprises the collective economic thought not only of the vanguard, but of the people as a whole—of the joint owners. This whole process of debate and decision-making is really a present-day "prototype" of communist self-administration. The constant concern of the Party for the whole process of joint economic activity is one of the main conditions for successful socialist economic management.

The correct distribution of the productive forces, having

¹ The system of management by economic councils, introduced in the Soviet Union in 1957, meant a transition to the territorial principle in the management of industry (as distinct from management by branches). The management of industry in each economic district of the U.S.S.R. was assumed by a local economic council. Later an All-Union Supreme National Economic Council and a Supreme Economic Council and also State Committees were set up. The latter were to take charge of technological policy.

due regard for the need for specialisation and co-operation in production, helps to do away with the irregular development of territorial-economic districts, and with the historically determined backwardness of some of them. These lags in development existed before the revolution and could be overcome only by developing the productive forces of the country as a whole and by acquiring experience in co-ordinated economic management.

The importance of questions of the location of enterprises, and of their sizes (and hence, of specialisation and co-operation) for the planned development of a socialist economy was repeatedly stressed by Lenin. The decision of the Council of People's Commissars adopted on April 12, 1918, emphasised the importance of the task of "systematically solving the problem of the correct distribution in the country of industry and the most rational utilisation of its economic forces".

In his *Draft Plan of Scientific and Technical Work* Lenin described the main principles of this distribution. "The plan (the "plan for the reorganisation of industry and the economic progress of Russia"—A.R.)," said Lenin, "should include: the rational *distribution* of industry in Russia from the standpoint of proximity to raw materials and the lowest consumption of labour power in the transition from the processing of the raw materials to all subsequent stages in the processing of semi-manufactured goods, up to and including the output of the finished product." And as regards the size of enterprises: "the rational merging and concentration of industry in a few big enterprises from the standpoint of the most up-to-date large-scale industry, especially trusts."¹

Thus, it is only on the basis of social need that society determines the distribution of production over the country (and distributes the state land fund for tillage, pastures, forests, gardens, sites for industrial and other structures and for housing), as it also distributes the labour force among the various branches and enterprises. Such co-ordinated economic actions are possible only if and "where production is under the actual, predetermining control of society".²

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, p. 320.—Ed.

² K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 187.—Ed.

Accumulation and extended reproduction

Co-ordinated economic management presupposes the careful, scientific determination of the rate of accumulation or the rate of the expansion of social production, and of the period the economic plan is to embrace. It also requires continuity in the planning of economic activity. A single plan for economic development is an expression of the full control exercised by associated producers over the main, progressive function of society—accumulation.

Increases in social needs arising out of the development of production and growth in population make it necessary to expand production and to define the possible rates of reproduction. Actual expansion is determined by the level of development of existing productive forces, the surplus labour at the disposal of society, and the size of available additional means of production and additional labour resources. If, for example, social needs have grown by "y" and their satisfaction requires an investment into production of "z" means of production (including labour force), it is obvious that if only $0.9z$ additional means are available, an expansion of production will be possible only within the limits laid down by these available additional means ($0.9z$).

Society may receive some additional means of production and means of subsistence from preceding production periods. Additional labour resources are supplied by the natural growth of the population and mainly by growth of labour productivity, which in turn determines how much additional means of production are possible. Hence, increase in labour productivity accelerates expansion of production. Thus, under the First Five-Year Plan, the growth of labour productivity accounted for 51 per cent, and under the Fifth Five-Year Plan for 68 per cent of the total increase in industrial output.

Expansion of production is also furthered by the reconstruction of existing enterprises and the building of new ones.

Society must calculate the increase to be expected in the population from demographic statistics. This information helps to determine how much additional means of production and labour resources will be needed by society and the growth in labour productivity that will be necessary.

In the expansion of production a special place is assigned to the production of means of production. This follows from the fact that "by degrees more is produced and more consumed, and consequently more products have to be converted into means of production".¹ At the modern level of labour productivity the ratio of the share of means of production in total production to that of means of subsistence is between 3:1 and 2:1.

"To expand production (to 'accumulate' in the categorical meaning of the term)," Lenin said, "it is first of all necessary to produce means of production, and for this it is consequently necessary to expand that department of social production which manufactures means of production."² The department producing means of production (Department I) is such a department of social production. It is therefore necessary to make sure that its development is given priority.

Within Department I, special importance has to be attached to the production of means of production for the production of means of production, which form the basis for the raising of labour productivity in all branches of the economy.

"...The technical progress that accompanies machine industry," Lenin said, "calls for the *intense* development of the production of coal and iron, those real 'means of production as means of production'."³ In modern conditions we should add the production of power and chemical products.

Even though Lenin drew this conclusion from a study of capitalism, it holds good for all forms of social production. In the case of capitalism the need for the intense development of Department I of social production manifests itself spontaneously, antagonistically and therefore in a distorted manner. With socialism the manifestation of this need is conscious and serves as a necessary condition (law) of the planned expansion of production.

Production in Department I is expanded not for its own sake, but in order to ensure the development of social production as a whole. This means that it must take place

¹ K. Marx, *Capital*, Moscow, 1965, Vol. 1, p. 598.—Ed.

² V. I. Lenin, *Collected Works*, Vol. 2, Moscow, p. 155.—Ed.

³ Ibid., Vol. 1, Moscow, p. 105. Author's italics.—Ed.

in close interconnection with Department II. Undoubtedly, a large part of the output of Department I goes to compensate for the means of production used up in it (to use the symbols Marx applied in his schemes, this part of Department I can be designated as cI). However, the output of Department I also goes to compensate for the means of production used up in Department II (cII).

On top of this, because of the steady growth of social needs, a certain part of the output of Department I (part of the surplus product, i.e., part of mI) must remain in that Department as *additional* means. This expansion of Department I inevitably increases the demand for the output of Department II, which again makes it necessary to increase the means of production in Department II. The additional means required to fill this demand are again provided by Department I. Therefore, Department I plays the leading role in the overall process of reproduction.

In return for the means of production it receives from Department I, Department II (producing mainly consumer goods) supplies means of subsistence to the labour force employed in Department I (vI) and also to the additional labour force ($v'I$) required by it. Department II also, of course, produces the necessary consumer articles for the labour force employed within itself (vII) and to the additional labour force ($v'II$) required by it. In addition, Department II supplies means of subsistence to working people fulfilling other social duties, and to those who are too young to work or who are no longer able to work.

Thus, Departments I and II exchange their outputs in a co-ordinated way. The joint owners of the means of production, compensating each other for the expenditure of labour time on the manufacture of means of production and means of subsistence, mutually control the fulfilment of the obligations they voluntarily assume. This is essential to normal planned production under socialism (communism).

The formulae for extended reproduction of social capital worked out by Marx, and which Lenin considered to be applicable even to full communism, show what is required for the expansion of production. Extended reproduction is possible when that part of the output of Department I which embodies the expenditure of necessary and surplus labour

time is greater than the output of Department II embodying the means of production used up in it (as regards labour time)—that is, if $I(v+m) > IIc$. This is the *law* of extended social reproduction.¹

The degree to which $I(v+m)$ exceeds IIc decides the possible scale of expansion. Marx, who analysed extended reproduction in conditions in which labour productivity and the technical equipment of production were at a *high* level in both Departments of social production, demonstrated that the possible scale of expansion has an objective *maximum and minimum*.

"In production on the basis of increasing capital, $I(v+m)$ must be equal to IIc plus that portion of the surplus-product which is re-incorporated as capital, plus the additional portion of constant capital required for the expansion of the production in II; and the minimum of this expansion is that without which real accumulation, i.e., a real expansion of production in I itself, is unfeasible."²

The proportion of the surplus product going to accumulation (needed to ensure the proportional expansion of production throughout the economy) is highest when the levels of technical equipment are equally high in both Departments of social production. According to Marx's formulae, it may then reach 62 per cent; but when the technical levels of the two Departments differ, it may fall as low as 31 per cent. When the technical levels of the two Departments are equal, the share of the surplus product earmarked by Department II for accumulation is proportionately larger than that contributed by Department I. A minimum rate of extended reproduction does not, of course, guarantee the normal expansion of Department II.

The question of the expansion of social production is linked to the question of the formation of *production reserves and stocks of finished products* in the economy. These guarantee the continuity of production and reproduction and the regular satisfaction of the needs of the members

¹ An interesting mathematical treatment of the ratios of the two departments in the process of extended reproduction has been given by V. S. Dadayan in his *Economico-Mathematical Modelling of Socialist Reproduction*, Russ. ed., Ekonomizdat, 1963.

² K. Marx, *Capital*, Vol. II, Moscow, 1967, p. 521. Author's italics.—Ed.

of society. Every society uses what it produced yesterday, and keeps some of what it produces today for tomorrow. The size of its reserves depends on the difficulty involved in renewing them and the length of time needed for their reproduction. Reserves of agricultural products equal society's yearly requirements for them. The necessary reserves of industrial products, especially of means of production, are determined by the time needed for the reproduction of all the productive assets of society. The longer the time needed for this, the larger must be the reserves. With the more advanced development of means of transport and improvements in the national organisation of production and distribution, the sizes of production reserves will decrease in relation to the total volume of production (though their absolute volume will grow).

In addition to the reserves that may be needed in the normal course of reproduction, society must also provide reserves against various other contingencies—possible natural calamities, etc.

Co-ordinated economic management must provide for a deliberate *decrease in production* in certain sections of the economy where natural resources have been exhausted, where the degree of the social utility of a product has changed, etc. Unlike capitalism, socialism does not leave such decreases in production to chance and therefore they do not take anybody by surprise. Socialist (communist) society does not throw its workers on to the streets, but transfers enterprises to the production of other goods—or, if an enterprise must be closed down, transfers all its workers to other enterprises and, if need be, trains them for new jobs.

The expansion of production (and its reduction) takes time. This time is determined on the one hand by natural conditions and, on the other, by the level of labour productivity. Time is also needed for additional means of production and labour to yield results. *Expenditure on construction* is refunded to society only after new enterprises have been commissioned, while before that, such expenditure is a necessary deduction from the yearly fund of means of production, means of subsistence and labour resources.

Karl Marx wrote that in drawing up a plan for the development of the economy, society must "calculate before-

hand how much labour, means of production, and means of subsistence it can invest, without detriment, in such lines of business as for instance the building of railways, which do not furnish any means of production or subsistence, nor produce any useful effect for a long time, a year or more, while they extract labour, means of production and means of subsistence from the total annual production".¹

Hence, *only capital investment in projects that can be constructed within a minimum time-limit (calculated on the basis of technically well-founded indices) can be effective.* Construction on this principle produces the most rapid recoupment of resources.

All other things being equal, the less time it takes to complete the construction of an enterprise and to put it into operation, the higher will be the labour productivity not only on the particular construction site but, in the last analysis, throughout the whole country, too. All that has been said applies equally to the reconstruction or expansion of existing enterprises.

Delay in building necessary projects is a direct loss to the economy. An enterprise under construction may even become outmoded before it is commissioned. Instead of getting the necessary and attainable growth in labour productivity, a delay in the building of a project may lead to a drop of labour productivity below world standards. *Every new enterprise in socialist (communist) society must be the most advanced enterprise of its kind; it must be more productive than existing enterprises both within the country and abroad.*

As the economy develops, production expands and the size of capital investments increases. The need for the rational, economical utilisation of living and embodied labour in construction becomes more pressing. The concentration of capital investments, the carrying out of complex construction work, and the commissioning of new enterprises in the shortest possible time are the *objective economic needs* and conditions for raising labour productivity.

In many cases, remarkably high industrial construction rates have been achieved in socialist economy. Building

¹ K. Marx, *Capital*, Vol. II, Moscow, 1967, pp. 318-19.—Ed.

equipment and the organisation of labour are improving and the labour productivity of building workers is growing steadily. Society strives to reduce the time required for the building of enterprises and for their commissioning in order to recoup invested means as quickly as possible. However, many shortcomings in the field of capital investments have still to be overcome. It can still happen that construction work is prolonged, that funds are scattered and that the final commissioning of some projects is delayed. Delays in the commissioning of enterprises, and in the mastering of their equipment and technology, sometimes make them obsolete even before they begin to operate. Outmoded projects, obsolete equipment, and other shortcomings, intolerable in a planned economy, arrest construction and the growth of labour productivity.

The Party and the general public are exposing these shortcomings and mobilising the forces of the whole nation to overcome them. The way to get rid of shortcomings is not to cover them up, but on the contrary, to give them the widest publicity.

Terms and continuity of planning

Marx pointed out that the practice of summing up the results of economic activity for periods of one year has its origin in history. In Europe, the place where capitalism originated, the agricultural cycle (the full cycle of agricultural work) lasts one year. This term, natural for agriculture, the main branch of the economy under feudalism and during the period of preindustrial capitalism, was extended to industry and became traditional for it too. The one-year term, having become a firmly established tradition under capitalism, passed over into socialism. When Soviet society was in the process of mastering co-ordinated economic management, and when in addition to ownership of means of production by the whole people and by collective farms there existed privately owned means, plans for the development of state industry were drawn up for one year. They were called *control figures*.

In the early years of socialist construction, Lenin pointed out that socialism would have to calculate the needs and results of production on a national scale for many years in advance, i.e., to draw up a general plan for a

number of years. "For," he said, "...sometimes years of crop failure, sometimes land improvements essential for increasing grain crops require years of work..."¹

The need to estimate costs and to forecast results for a number of years in advance is especially important for large-scale industry. The length of the period required for the construction of industrial enterprises, their mastery and their operation up to the time of their re-equipment must be accurately determined. The GOELRO plan, the first scientific economic plan in the world, was drawn up on the basis of the Soviet Union's real possibilities at the time for a period of fifteen years in advance. Lenin emphasised that without a long-term plan there could be no rehabilitation of the war-devastated economy, no success in socialist construction. "Do not be afraid of plans," he said, "computed for many years in advance."

At present, *annual plans* are operational plans intended to control the implementation of (and, if necessary, to amend) the targets laid down in the five-year plan.

Lenin's instructions showed that the need to draw up plan targets for a number of years ahead is determined by the need to develop modern equipment and by the enormous scale of modern social production. Hence, the period of the total "cycle" of social production must form the basis for determining the *period* for which each economic development plan has to be drawn up.

The cycle of social production is expressed materially in the cycle of its basic assets, from their introduction to their complete depreciation (taking into account, too, the effects of technological progress). *The period it takes for the total fixed productive assets of the country to wear out, or in which they can be expected to become obsolete, serves as the basis for working out the period for which the national economic plan needs to be drawn up.*

Even though the period during which fixed assets wear out differs from enterprise to enterprise, on a national scale this period averages itself out. Capital investments are planned to accord with this period (notably, in the production of means of production), and are therefore put into effect on a large scale over identical periods of time. An *investment-wear cycle* thus forms in the economy. The

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, p. 393.—Ed.

period of this cycle provides the basis for determining the period for which economic plans should be made.

These plans, each for a single cycle, combine to form long-term plans for longer periods. Society must be able to know what changes will be made in production techniques in the foreseeable future, at least in general outline. This, as has been explained above, is made possible by comparing the balance of the total needs of society (and the means needed to meet them) with the balance of real production possibilities.

Today the normal length of time in which industrial equipment wears out materially or becomes obsolete is something like ten years, and future developments must shorten this period. Nevertheless, the current practice of drawing up plans for periods of five years seems to run counter to the theoretical conclusion that the length of long-term plans should be decided by the investment-wear cycle. We also know, however, that there have been instances when practical needs made it necessary to draw up plans for periods exceeding five years. All this only shows that it is still essential to establish scientifically the truly objective period for which plans should be made. Undoubtedly, the final solution to this problem will require many special scientific studies, and the labours of a large body of economists.

Plan and proportionality

An economic plan must be *realistic*. Only a realistic estimate of social needs and possibilities can furnish the data needed to set plan targets for the production of material wealth of an amount that can be produced with the given material and technical basis. A plan is an assignment which the joint owners of the means of production are obliged to fulfil by common consent in order to meet their needs. An economic plan is not a description of desirable results, nor a forecast of the things that might come to pass on their own. It is a sober, realistic plan of what must and can be produced by the co-ordinated labour of society. The drawing up of a plan must be preceded by the scientific elaboration of an economic model, or models, taking full account of all the various and often mutually

exclusive possibilities open to the economy. These models should foresee all the consequences, too, of these various possible paths of economic development. If they proceed from objective and authentic data, and take into account all diverse possibilities and their consequences, models create a scientific basis for drawing up realistic plan-directives, designed to achieve the best results in production.

An economic plan is, before anything else, a plan for the production of material wealth. It is only on the basis of this that the distribution of material wealth is carried out. Distribution is therefore really a matter of only secondary importance in the economy. There are, however, economists (those following the vulgar bourgeois economists censured by Marx) who maintain that the purpose of a plan is to draw up "what is needed by the socialist market". According to them, distribution plays the leading role in the economic life of a socialist society. The plan—a conscious social factor—only has to forecast by how much market prices should differ from costs of production, and, if necessary, to plan the measures needed to speed up production in order to satisfy the demands of the market. These economists make the mistake of placing emphasis not on the study of objective production requirements, not on the conscious control of them, but on the spontaneous mechanisms of the market and flexible prices, which they believe can regulate production and accumulation automatically.

An economic plan must lay down its concrete targets for the various branches of production, and for economic regions (in the final analysis for individual enterprises too), and its targets for the distribution of labour, not in accordance with existing market conditions, but rather in accordance with society needs, given prevailing levels of technical development. This *foreseeable demand* is what has to be taken into account if an economy is to be managed as a single whole. Socialist society cannot regard demand as something spontaneous and unpredictable. It must always be accounted for and organised. The modern level of economic and technological development (particularly of electronic computer techniques) shows that it is possible to organise a complete and perfect system for calculating needs and possibilities on a country-wide scale,

and on this basis to determine the optimal quantitative interrelations of all spheres of the economy in both production and consumption. Thus, *the purpose of an economic plan is to determine consciously basic economic proportions*, calculated objectively and in accordance with social requirements and to tackle the general fundamental problems of economic development. Naturally, in keeping with the principle of democratic centralism that underlies all socialist planning, a number of proportions are fixed directly in the localities, and even within the framework of individual enterprises.

For socialist (communist) production to develop according to plan, society must consciously establish, maintain and amend the proportions in the economy as need demands. What does that mean? Some theoreticians hold that this objective demand boils down simply to the conscious fixing and maintaining of an equilibrium between the various branches of the economy, ultimately, between production and consumption. But they are wrong, as are all those who voluntarily or involuntarily abandon the dialectical conception of development.

This erroneous understanding of proportionality in a socialist economy is most strongly expressed by economists who reduce it to the idea of maintaining a simple equilibrium between social production and consumption. This idea is wrong first of all because it supposes a certain confrontation or mechanical struggle between production and needs. Marx proved that there is not and cannot be such antithesis under socialism. This is because the spontaneous division of labour has been abolished by the establishment of public ownership of the means of production, uniting producer and consumer in one person—the single, joint owner of the means of production. Besides, this conception reflects reality in a static way, i.e., as a succession of identical, immutable economic processes. To regard economic development as resulting from disturbances in the equilibrium of the two supposed opposites, “production—needs”, is to depart from the dialectical conception of development.

Let us try to clarify what the concept of the “equilibrium of production and needs” really means. It implies the production of as much material wealth as is needed to satisfy all the requirements of the members of society. That being

so, what can be meant by a "disturbance" of this equilibrium? It means that production has begun to put out either more or less material wealth than is needed to satisfy current requirements, or requirements have become either larger or smaller than the amount of material wealth provided at the given time by production. But, according to the theory of equilibrium, the sides of a single phenomenon, having lost their unity and finding themselves clashing with each other, strive to overcome one another: either production must gain supremacy over needs, or vice versa. Now what could be the meaning of the idea of production gaining supremacy over needs? Only that production becomes an end in itself, that it breaks with its natural basis, that it ceases to take into account the real productive and unproductive needs of society. This would inevitably lead to economic dislocation, or to a recession or even to economic catastrophe.

Or, what might be the meaning of the idea of needs gaining supremacy over production? Only that needs become independent of production and demand from production the impossible. Production would then lag permanently behind the personal and production requirements of society, which, according to this way of looking at things, would exist independently, and not, in fact, themselves depend on the level of social production. Given these conditions, the equilibrium of the "production—needs" system can only be temporary (so temporary that its disturbance is the normal thing), and the constant and unfounded demands of consumption on production lead, in the final analysis, to the "eating up" by society of the means invested in fixed and working assets. Obviously, under such conditions, the economy becomes unstable. And unstable economic conditions are not to anybody's advantage. It is constant stability that is characteristic of a sound socialist economy, to which any opposition between production and needs is alien.

The theory of equilibrium mechanically opposes production to consumption. It embraces only the superficial aspects of their interrelations, ignoring what is most important in them, namely, the splitting of their unity into two and the interpenetration of their opposite sides in the course of their development. In the final analysis, production is primarily consumption, just as consumption is

ultimately production. They evolve each other, determine one another's development and as a result, the development of the economy as a whole.

Dialectical unity and dialectical struggle (development of opposites) presuppose at the same time the mutual co-ordination of opposites. The mutual co-ordination of its parts is inherent in any complex system that functions as a single whole. Nevertheless, if this co-ordination were to become absolute, if it took the form of rigid (or even of a mobile) *equilibrium*, development would become impossible. It would be replaced by a purely quantitative process of expansion or contraction, in which the relation of the sides of a phenomenon would remain constant, excluding the mutual transition of one side into the other.

The theory of equilibrium, the basis of which was formulated by Herbert Spencer, and which was used by A. Bogdanov and N. Bukharin, who attempted to revise dialectical materialism, is directly opposed to the dialectical conception of development because it preaches vulgar, mechanistic evolutionism. The theory is at fault because it claims to be of general philosophical validity, and transplants to society conceptions which can be applied only within strictly defined limits.

Ideas both of rigid and of mobile (dynamic) equilibria do, of course, have a place in the dialectical conception of development. But they must not be applied to complex social processes, especially to the general form of economic processes. The very notion of equilibrium distracts attention from what is most important in a proper study of economic phenomena, replacing it by empty definitions and the mere semblance of "scientificness". It was against this whole general conception of development that Lenin protested.

So, proportionality in the economy is not to be realised by maintaining an equilibrium between production and consumption. The practice of socialist planning over many years demonstrates (in the Soviet Union, for example) that the balancing of socialist demand (the requirements of society) and supply (planned production) must always allow for an *excess* of production over current requirements. This excess does not mean that production becomes to some extent self-sufficient, proceeding on its own account, without considering fully the actual requirements

of the members of society. On the contrary, the purpose of this excess is precisely to ensure the full satisfaction of the constantly growing personal and production requirements of all joint owners. It finds expression in the creation of state reserve, insurance and other funds, and in the development of new branches of production. Without this excess of production over consumption there can be no expansion of production, and therefore no satisfaction of the growing needs of the members of a socialist society.

"Large-scale industry," Marx wrote, "forced by the very instruments at its disposal to produce on an ever-increasing scale, can no longer wait for demand. Production precedes consumption, supply compels demand."¹

This proposition, applied by Marx to capitalism, holds good for socialism too. In fact it applies to socialism more than to capitalism. This is because in a co-ordinated economy (in socialist society), large-scale industry, as the leading form of production, is the main material means of meeting the demands of the basic economic law of the communist formation. Modern large-scale machine industry is able to produce an enormous amount of material wealth. In capitalist society the spontaneous excess of production over consumption, and ultimately over the effective demand, leads to crises of overproduction, which testify to the crisis of the socio-economic system itself.

"A surplus," Marx said, "is not an evil in itself, but an advantage; however it is an evil under capitalist production"² because it leads to crises of overproduction. Under socialism an excess of production over current requirements or "relative overproduction" (Marx), deliberately fixed within definite limits, is necessary for the normal functioning and development of the economy. "This sort of overproduction," Marx said, "is tantamount to control by society over the material means of its own reproduction."³

To repeat, proportionality is established by allowing, within rational limits, an excess of production over the current requirements of the members of society. This consciously planned "disproportionality" does not lead to a waste of social wealth, to a loss of conscious control by society. This excess of production over current require-

¹ K. Marx, *The Poverty of Philosophy*, Moscow, 1966, p. 59.—Ed.

² K. Marx, *Capital*, Vol. II, Moscow, 1967, p. 472.—Ed.

³ *Ibid.*, p. 473.

ments, and even the deliberate disproportional development of some branches of the economy for certain periods of time, are necessary features of progressive economic development. They do not violate the dialectical unity and struggle of opposites in the main contradiction of socialist (communist) economy, expressed in its basic economic law. Only dogmatic conceptions can prevent us from seeing that proportionality and disproportionality are not isolated from one another (what is proportionality today becomes disproportionality tomorrow, and vice versa). In the process of economic development they penetrate each other and in this way impel the forward movement of the economy. All that is necessary is that these opposites be applied consciously and knowingly. Marx said that "under capitalist production the proportionality of the individual branches of production springs as a continual process from disproportionality, because the *cohesion of the aggregate production imposes itself as a blind law upon the agents of production, and not as a law which, being understood and hence controlled by their common mind, brings the productive process under their joint control*".¹

Summing up, economic planning has the following aims: 1) *to obtain the maximum output possible at the given level of technical development and technological application of the findings of science—with the minimum expenditure of labour time per unit of output*; 2) *to obtain output sufficient: a) to satisfy to the maximum the constantly growing needs of the members of society, b) to secure the necessary expansion of production, c) to develop technology and science and with it the growth of the social productivity of labour, d) to create social reserves essential for the normal course of production and e) to satisfy unforeseen but possible requirements*; 3) *to ensure the correct distribution and redistribution of labour in society and to make timely amendments in the proportions of the economy* (to prevent the emergence of spontaneous disproportions) and consciously, in keeping with economic requirements, to plan the socially controlled priority development of individual branches and districts for definite periods of time.

¹ K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 257. Author's italics.—Ed.

CO-ORDINATED ECONOMIC MANAGEMENT AND THE LAW OF VALUE

Analysis of the production relations of the communist formation as a whole brings out those abiding causal connections that comprise the innermost essence of those relations. These connections are inherent in the formation from its lowest to its highest stages of development. They are expressed, primarily, in the basic economic law of communism and the law of planned (proportionate) economic development based on it, the law of labour time economy, and the law of the steady growth of social labour productivity—with all that goes with these laws.

However, there are also other causal connections that are not characteristic of the whole span of the communist formation, but only of the initial stages of its development, that is, of the period of the transition from capitalism to socialism and of the socialist phase itself right up to the establishment of full communism. Among these are *commodity-money relations*, the main expression of which is in the *law of value*. We shall consider these in the most general outline without attempting to make an exhaustive study of them.

The objective need for commodity-money relations under socialism

Both the objective need for commodity-money relations and their transient character in the communist formation follow from the fact that socialism, as the first stage of communism, necessarily *does not originate in itself*, but develops on the basis it inherits from the preceding formation.

After a long process of development, socialism creates the basis for full communism, and in the end removes the conditions making commodity-money relations necessary. This does not mean that under socialism commodity-money relations and the law of value are not connected with the deepest processes of the communist formation, and do not serve as a definite expression of its essence in the first stages of its development. Let us, therefore, repeat for the sake of clarity that commodity-money relations are rela-

tions inherent in a socialist economy (of the first phase of communism). They are less deep than the relations we considered above, are located nearer to the surface as it were, but are objectively linked through public property with the deepest causal interrelations of the communist formation, mediate their action and promote (not without contradictions) their development.

Naturally, commodity-money relations as such are by no means socialist relations. At the same time they are not capitalist relations. Commodity-money relations emerged long before capitalism.

The production of things for exchange—evolved by private property and the spontaneous division of labour—transforms products into commodities. The fact that the social nature of the separate labours of separate commodity producers cannot be expressed directly splits labour into two: concrete labour (which creates the social use-value of a commodity) and abstract labour (which creates the value of the commodity). Now value, as we know, is embodied abstract, universal labour. For this reason, the amount of abstract labour embodied in a commodity, or the size of its value, cannot be expressed in terms of labour time, and therefore finds expression in the use-value of commodities, i.e., in the relation of commodities in the process of their exchange. This, to use Marx's term, is the *value method of expressing the social labour* spent on the production of material wealth for exchange—a method that has evolved over the centuries.

Capitalism, having brought into being a specific commodity—the wage-worker's labour power—has only transformed this spontaneously evolved value method of expressing social labour. Capitalism brought about the final split between value and use-value, gave birth to fictitious values, and made commodity relations universal by drawing into their sphere phenomena and articles possessing no value. At the same time, capitalism developed a mechanism for the spontaneous operation of the method of expressing social labour in terms of value, namely, the banking system. Consequently, by freeing value relations from their antagonistic capitalist nature, we shall obtain forms which are basically *not connected* with the exploitation of man by man and *do not oppose emergent socialism in what is most important*.

The fact that there are commodity-money relations in society does not of itself exclude the implementation of socialist transformations. Moreover, when the working class sets about making these transformations (as a result of the revolutionary seizure of power and intervention in capitalist relations of ownership), it cannot carry them out without entering into commodity-money relations with both small commodity producers and the big capitalist elements in the economy. The working class is unable to nationalise all the capitalist enterprises in a country and economically to unite all small commodity producers on socialist lines on the day after the revolution.

Initially appearing on the commanding heights of the economy, socialism first functions as one of the sectors of the economy, as a part of the economic whole. This can be done only through the agency of commodity-money relations. The initial attempts of Soviet power in Russia to organise direct exchange of products between town and country inevitably ended in failure.

The socialist sector has to take part in commodity-money relations alongside the other economic sectors so that the working class and the people supporting it can *learn how to manage the economy on a national scale*, so that they can gradually oust the capitalist sector completely and help all small commodity producers voluntarily to embark on the socialist road of development.

This is the only way in which socialism is able to assert itself in a multisectoral economy and become the only economic sector.

However, the triumph of socialism, as the first phase of communism, does not mean that society has then already done away with *all* the conditions creating the necessity for commodity-money relations and the use of the method of measuring the expenditure of social labour by value. Even under full socialism it is still necessary to manufacture products as commodities. And this is not only due to the fact that there remain distinctions between the property of the whole people and co-operative property, which requires the production of things for exchange between the two. The need for commodity-money relations between associated producers at the socialist stage is also dictated by the fact that they have to learn to manage the economy

on a social scale, to overcome shortcomings, or, as they are often called, "the birth-marks of capitalism", to develop a feeling of economic responsibility and the skill of expending their labour and using the results of their combined labour in the most rational ways.

It is also necessary to *control the measure of labour and the measure of consumption*, and—until all vestiges of private property are fully and finally eliminated, and until there is an abundance of material and spiritual wealth—the improvement of this control and the provision of material incentives to labour continue to be key tasks. For the new system of measuring labour expenditure to operate successfully in these conditions, a new form of relations must be introduced between producers, collectives and the spheres of social production, one that will make it possible for the system of accounting to rely on simple, objective indices. Until this is done, the action of spontaneous forces cannot be excluded. Spontaneous elements manifest themselves, in particular, in weak control over the distribution and expenditure of labour, which makes it extremely difficult to measure it in terms of the average socially necessary labour time.

The fact that the causal connections in the economy are extremely complex and multistaged, that an enormous number of producers are engaged in the production of a particular article at different enterprises and very often in different and practically unrelated spheres of production, and the fact that living and embodied labour are repeatedly combined and recombined in varying proportions, makes the task of measuring labour expenditure directly in terms of labour time an extremely difficult one. Any attempt to perform this task without scientific aids would make social book-keeping assume a scale entirely out of proportion to the volume of production, one that would absorb an enormous amount of social labour. But the recent development of electronic computer techniques opens up the prospect of a transition to direct measurement of labour expenditure in terms of labour time being made in the foreseeable future. Even today we can already envisage a system for accounting, storing and processing an enormous body of data coming directly from work places all over the country to determine the socially necessary labour expenditure and on that basis to perform all necessary economic

computations at a cost normal for the given volume of production.

Naturally, *the transition to the direct measurement of labour expenditure in terms of labour time is not decided by technical possibilities themselves, but by economic developments.* Computer techniques can be employed for this purpose only when the whole of the life of the economy is rational and when it corresponds fully with the objective laws of the communist formation.

The dialectics of life are such that the improvement of the method of determining the expenditure of socially necessary labour in terms of value is the only possible way to make the transition to its determination directly in terms of labour time. In other words, the method of measuring social labour by value corresponds to public property relations at the socialist stage, and to the implementation on their basis of planned equivalent exchanges of products between the parts of public property. This means that in socialist society there is an objective need to produce things as commodities. Commodity-money exchanges are equally necessary in the socialist distribution of products for individual consumption.

Marx predicted that it would be necessary to use the value method to express social labour in the first phase of communism. He wrote, for example, that "after the abolition of the capitalist mode of production, but still retaining social production, *the determination of value continues to prevail* in the sense that the regulation of labour-time and the distribution of social labour among the various production groups...become more essential than ever".¹ In his early work "A Draft Outline to the Critique of Political Economy" which Marx highly valued, Engels noted that *following the abolition of private ownership* "the practical application of the value concept will be...ever more confined to the solution of the production problem, which is precisely its genuine sphere".²

This necessity was also clearly realised by Lenin while he was leading the socialist transformation of Russia. He generalised the experience of the transformations made in

¹ K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 851. Author's italics.—Ed.

² K. Marx and F. Engels, *Collected Works*, Russ. ed., Vol. 1, p. 553.—Ed.

the period preceding war communism (see *The Immediate Tasks of the Soviet Power* and other materials of that time), during war communism, and after it (see *On Co-operation, The Importance of Gold*, etc.). Lenin repeatedly said that it was necessary to use commodity-money relations in the interests of socialist construction, not only in relations between the different sectors of the economy but in the socialist sector itself.

However, after the triumph of socialism, the view asserted itself that the nature of commodity-money relations is antagonistic to socialism, that with the victory of socialism their sphere of operation should quickly diminish—that socialism makes them unnecessary and should therefore reject them. Views claiming that the law of value was in fact operating in the socialist economy of the U.S.S.R. were considered contradictory to Marxism-Leninism, especially in the 1930s. The thesis that the law of value operated in the U.S.S.R. in a restricted and transformed way became widespread in the late thirties and early forties. The idea that the operation of the law of value should be steadily restricted continued to dominate economy theory and practice in the U.S.S.R. for a long time. This of course interfered with the correct operation of the law of value in the interests of socialist economic development.

The concept "commodity" under socialism

With the advent of socialism, the concept of "commodity" (and "value") began to undergo a definite transformation, for the following reasons: *first*, under socialism, the product is *not produced for exchange between private independent commodity producers* (let alone between capitalists) but primarily for exchange *between socialist economic units*. Moreover, it is produced for exchange between economically and operationally independent workers' collectives which public property unites into a single whole. In other words there is exchange between *co-owners*.

Second, the production of things and their exchange is based not on private but on *directly social* labour. Therefore, the transformation of the product into a commodity,

the distinction between value and use-value, and the division of labour into abstract and concrete, exist under socialism not as a result of any contradiction between social and private labour (i.e., not because it is impossible to express the social nature of the individual producer's work directly), but because individual *labour time* does not coincide with the objective socially necessary labour time. Only the latter can be considered by socialist society to be socially necessary expenditure. Therefore, the value of the commodity, expressing the socially necessary amount of labour spent on its production, becomes an instrument for the conscious regulation and distribution of the directly social labour of the members of society (since this is still necessary).

Third, both production and exchange are *no longer* spontaneous in character, but are now *planned*.

Fourth, the use-value of the commodity is no longer simply a bearer of value as in commodity-capitalist society. *Under socialism the use-value of a commodity acquires primary importance.* Production is *not* carried on just for the sake of securing value, but *for the purpose of creating and obtaining the things needed by the members of society* for their all-round welfare and development.

A society of associated producers does not determine the value of the product it includes in a production plan, but the *degree of its social utility*. It is this that decides the amount of social labour that is allocated by society for the production of the product.

Fifth, value, expressed in money terms, *can no longer* be turned into capital.

It should be added that commodity production is *not* universal under socialism. Labour power, the land, and production buildings can no longer take the form of commodities.

As we see, the product in socialist society, even though it is a commodity—that is, a thing produced for exchange—is a thing produced for *socialist* exchange. Even though the commodity mediates certain relations of socialist producers and in this sense “materialises” them, it does not dominate them, but on the contrary, producers dominate things.

The old concept of “commodity” is *not sufficient* for generalising the social relations of socialism that should

be embraced by such a concept. At the same time the old concept cannot be totally discarded, for even though in a transformed form, things are made by socialist producers for exchange, the directly social labour embodied in them being expressed in a mediated form. The commodity form has remained but it has been filled with a new content. A contradiction has emerged between the *form* and the *content*. However, there is no antagonism in this contradiction.

The new content that has filled the old form will discard that form at some future stage of its development. This is predestined by the way in which commodity-money relations are employed under socialism. Their full use at a time when the labour of producers is already directly social is bound gradually to transform the old form into its opposite. Ultimately, commodity-money relations will die out.

Naturally this transformation can take place only in the course of the skilfully guided use of the old form, and the skilful control of the development of the new content. Spontaneity, laissez-faire or attempts to jump over stages can only hamper the development of the new content and even revive old tendencies.

The use of money-commodity relations in socialism, right up to the growing over of socialism into full communism, is a *cardinal* question of the political economy of the communist formation in its modern stage of development. It is also its most *complex* problem. This explains why there is such widespread theoretical discussion of this problem and of questions connected with the practical use of all the aspects of commodity-money relations, with a view to disclosing all the internal reserves of the socialist economic system and accelerating its advance towards full communism.

The principal condition for the full, rational and controlled use of commodity-money relations under socialism is the strengthening and development of *democratic centralism*, which harmoniously combines the interests of socialist society as a whole, of every workers' collective, as organic parts of this whole, and of every member of socialist society. While realising that it is necessary at the socialist stage to employ the method of measuring social labour in terms of value, the associated producers are interested in avoiding everything that may impair the community of

interests of society as a whole, the collectives and individual members of society. And, vice versa, society is interested in developing to the full the use of the method of expressing social labour in terms of value in all those respects that strengthen this community of interests. Socialist society can achieve this only by means of democratic centralism, which opposes both unlimited or absolute decentralism, releasing and fostering spontaneous elements in the economy, and absolute centralism, or voluntaristic administration. Both these lead to economic upheavals.

On the basis of democratic centralism, society determines what measures should be carried out in a centralised way, and what measures should be carried out independently by local bodies. Socialist society determines the *scale* and the *forms* in which the method of expressing social labour in terms of value is applied both at the centre and in the localities, and combines the two.

Because of the objective need to produce things for exchange, society cannot resolve the non-antagonistic contradiction between the form and content of the concept "commodity" by suspending the action of the law of value, as proposed by some theoreticians who call themselves Marxist-Leninists. Socialist society resolves this contradiction only by the ever greater use of money-commodity relations, and by strengthening the indivisible unity of the value and the social utility of commodities.

Operation of the law of value under socialism

To calculate social needs (i.e., to establish the degree of the social utility of every use-value needed), and to determine the socially necessary expenditure of labour time on the production of things needed to satisfy these needs, socialist society measures these expenditures in units of value. The operation of the law of value under socialism is an objective reality. Nevertheless, owing to the planned nature of production and exchange, the law of value does not operate spontaneously. The associated producers apply it consciously in their economic activity. They apply the law of value as a means of regulating and rationally distributing their social labour. As with any other law, it must

first be cognised in all its complexity before it can be given conscious effect.

Value is nothing but embodied abstract, universal labour, in which all the distinctions inherent in labour have been levelled out by reducing complex labour to simple labour. The size of a value is measured in terms of average socially necessary labour time. Value can manifest itself only in the correlation of two commodities—in the process of their exchange—in one of which value manifests itself in a relative form, and in the other in an equivalent form. The second commodity reflects the value of the first. This correlation does not, so to speak, weigh the socially necessary labour time embodied in each commodity on an exact scale; it only shows that the two commodities contain an equal amount of it and that the second commodity in its physical form represents the value of the first commodity.

Gold (or money) is the universal equivalent form of value. Money, according to Marx's generalisation, is the embodiment of universal labour time.¹ The monetary expression of the value of a commodity is called the price of the commodity. Hence the price of a commodity should express the amount of the average socially necessary labour time expended on its production. But for various reasons prices may deviate from values. When this happens, exchange is non-equivalent.

In a co-ordinated economy there has to be equivalent exchange of products between the members of the economy, i.e., commodities must be exchanged according to their value.

Under simple commodity production, when articles were manufactured for a narrow local market, the value of every article (the amount of labour spent on its production) was more or less well known to every producer participating in exchange, and exchange was in all essentials equivalent. In the conditions of developed commodity production such knowledge is impossible. To varying degrees and for different reasons, non-equivalent exchange becomes widespread, especially exchange with colonial and dependent countries. However, in socialist society, with its enormous market, organised on a country-wide scale (this, by the way, is one of the features in which the socialist

¹ See Marx-Engels, *Archives*, Vol. IV, Russ. ed., p. III.—Ed.

market differs from the capitalist market), the law of value must be consciously applied, the expenditure of social labour on every article being produced by the members of society *must be known* exactly, and equivalency must be strictly observed in socialist exchange. Since the units of money, and hence prices, are the means of measuring the expenditure of social labour, the problem of *price formation* acquires paramount importance in a socialist society.

In a society in which there are only commodity-money relations, e.g., under capitalism, price formation is essentially spontaneous (although the practice of state-monopoly capitalism shows that monopolies play an increasingly domineering role in this field). But under co-ordinated economic management by co-owners-co-workers, in which common planned targets for the production and distribution of necessary commodities are determined in a centralised way, price formation cannot be spontaneous. The very nature of socialist social production presupposes *centralised price-fixing*. Centralised price-fixing ensures that the prices of commodities correspond as much as possible to their value and that exchange is equivalent.

There could be no *co-ordinated economic* management if price formation in a socialist society were spontaneous. Spontaneous deviation of prices from values may be so considerable as to violate equivalency of exchange on a social scale and divert the normal course of production. The economy would then degenerate into ordinary spontaneous commodity production, with all the consequences resulting from that.

The first step in the establishment of a centralised price system is the determination of the average socially necessary labour time represented by a *unit* of money, that is, by a definite unit or weight of gold (irrespective of whether gold coins actually circulate freely in the country or not). In this way, gold can be *consciously* used as a universal equivalent form of exchange in a single planned economy. Gold becomes a "mirror" reflecting the value of every single commodity with maximum accuracy.

Paper money is only a token of gold money and has no value of its own. For this reason the nominal expression of prices in terms of paper money depends on the maintenance of a correct relation between the paper money in circulation and the stock of gold money. If the distinction between

the two is ignored, the determination of prices becomes arbitrary and loses its objective material basis. The problem of price formation under socialism is not only a theoretical problem but a very practical one. Since it is possible for prices to deviate from values, the question of the proper manoeuvring of prices becomes a very important part of political economy. Great caution, thoroughness and flexibility must be exhibited in manoeuvring prices. Indeed, all the parts of social production are interconnected, and a change of prices in one part will, necessarily, to some degree or other, affect the prices of commodities throughout the whole economic structure.

Violations of the basic principles of price formation have always generated economic difficulties in our country. Violations of these principles emerge because of an insufficient knowledge of the theory of price formation and also as a result of voluntaristic economic administration,¹ i.e., because of violations of the principles of democratic centralism.

Both these causes became strikingly evident in the fixing of prices for agricultural products between 1959 and 1964. The insufficient mastery of the theory and mechanism of the centralised fixing of prices for agricultural products was expressed mainly in the insufficient consideration given to the actual conditions determining the fluctuations of the average socially necessary labour time in agricultural (mainly collective farm) production, chiefly with respect to grain and melon farming and stock-breeding. Voluntaristic administration found its expression in the establishment of prices based principally on conditions prevailing at the best farms, i.e., taking into account only the best results. Because of this the wholesale purchasing prices of agricultural products were for a long time (in fact, until very recently) below their actual value.

The elimination of these extreme manifestations of voluntarism in the economy, and a deeper penetration into the essence and mechanism of price formation under socialism, made it possible to rectify violations of that sort. This

¹ Voluntarism in socialist economy is expressed in arbitrariness, and in the absence of real scientific foundation to the economic measures that are implemented. This should not be confused with determined action, with organisational activity, which is needed by society to carry through truly scientific, well-founded measures.

rectification was a difficult task for it was not only necessary to increase wholesale purchasing prices, but also to ensure a higher general level of consumption by the population on the basis of lowered retail prices. Important to the solution of this problem were the March and September (1965) Plenary Sessions of the C.C. C.P.S.U. and the Government decisions taken in accordance with them.¹

The sum of prices for the total social product must, of course, coincide with its aggregate value. But prices may be made to deviate from values for various reasons. They may be deliberately fixed above or below values for areas at different ends of the country, in order to stimulate the influx of labour into this or that branch or zone of social production, or to increase or decrease the consumption of this or that commodity, etc. But this is done *only* in the common interest, and only in individual branches and zones of social production, for separate commodities and for certain limited periods of time, care being taken not to violate the principle of the maximum possible correspondence of prices with values and equivalency of exchange on a national economic scale.

Soviet economists and business managers have advanced many proposals on ways to improve the practice of price-fixing under socialism in order to establish the maximum correspondence of prices to values. Among them is the proposal to revise more frequently wholesale prices in the branches of production in which technical progress proceeds at a rapid rate. Another is to use a gliding scale of prices to correspond to changes in the utility, quality or novelty of goods. Some of these proposals (for example, the introduction of a charge for the use of assets) have already been taken into account in the resolutions of the Plenary Meeting of the C.C. C.P.S.U. on September 29, 1965, and in the decisions taken in accordance with them. The country's research and administrative bodies are continuing to work on the problem of price formation under socialism.

Centralised price-fixing does not exclude local price-fixing. The former embraces the bulk of the products manu-

¹ The September (1965) Plenary Meeting of the C.C. C.P.S.U. recommended the adoption of a system of prices that would approach values as closely as possible, as an essential condition for the improvement of planning and management in industry.

factured by society, the latter covers commodities for the local markets. Centralised price-fixing is based on consideration of all the conditions of the production and sale of the bulk of the commodities sold in the localities. Local price-fixing in its turn, taking into account local production and sales conditions, must also take into account the prices of basic commodities fixed centrally.

Centralised price-fixing does not exclude price formation in response to the pressures of "supply and demand". This applies mostly to the output sold on the collective farm market. However, the influence on these collective farm market prices of commodities with prices fixed centrally is the more decisive the larger their stock in the system of co-operative and state trade. Centralised price-fixing is the basic mode of price formation under socialism. At the same time it is a flexible economic instrument used by socialist society to manage the economy in a co-ordinated way.

The expenditure of live and embodied labour required to produce the aggregate of commodities and services for society is expressed in prices, which are the expression of value in terms of money. The national income and its divisions into consumption and accumulation funds are also expressed in terms of money (in this connection are also determined the *accumulation rate*, the *rate of the deductions* from the accumulations of each enterprise to the state budget, the national wages fund and the fund of capital investments on a national scale). Society, as represented by the state, centralises the production of money material (precious metals) and on this basis controls the emission of money, as well as *all* the credit facilities of society. The law of value is used by socialist society as an instrument for the consistent planned development of the economy, as a means of achieving an ever-greater economy of labour time, of regulating and distributing social labour among the spheres and zones of production in a proportional way.¹ The method of expressing social labour by value is used by socialist society as a means of achieving the abundance of output, and the organisation and skill in joint economic management, that

¹ On questions of the relation of value and planning, see the works of Academician S. G. Strumilin (*Selected Works*, Vol. 5, Russ. ed., Nauka Publishing House, Moscow, 1965)—Ed.

are necessary for the transition of society to non-commodity production, i.e., communism.

Society cannot arbitrarily discard the method of expressing social labour by value and, with it, the law of value. To do this, society must first abolish the different forms of socialist property now existing, and attain a level of development of the productive forces in all the branches of production (including agriculture) at which the productivity of labour is much higher than will ever be possible under capitalism—enough to produce an inexhaustible profusion of material wealth. In addition to this society must comprehensively develop the personality of all its members, fully overcome the influence exerted by the vestiges of the old social division of labour, and transform labour, from a means of existence, into a primary vital creative need of every member of society. The transition to the communist distribution of the means of subsistence (for individual consumption) according to the principle “to each according to his needs”, can then be made. In these conditions, the regulation of labour time and the distribution of social labour will naturally not need any mediacy and will be effected (with the help of modern computing techniques) according to the measure of labour inherent in it, irrespective of what *specific technical term* (not excluding the present term “value”) *will be used*. The value method will then become superfluous and will wither away. Only the steady development of communist relations creates the conditions for the gradual extinction of the method of expressing expenditures of directly social labour by value or, what is the same, the extinction of the operation of the law of value.

Chapter Three

THE ECONOMIC LAWS OF THE SPHERE OF PRODUCTION

Karl Marx often used the term "economic organism" in referring to the economy as a whole. Applying this term to the economy of the communist formation, it could be said that, as with the vital activity of every living organism, there are processes of the organism as a whole (growth, development, behaviour, etc.), individual physiological processes (breathing, blood circulation, digestion, etc.) and, finally, the small-scale processes of its elementary parts (cells). The economy can thus be subdivided into three basic groups of processes: those typical of the social economy as a whole, those typical of its separate spheres and those of its cells—the enterprises. As in the living organism, each process has its special internal laws, but at the same time they all govern and determine one another.

Lenin likened socialist economy to a river, and the economic laws which we have looked into in general outline to laws of the current. But the current of a river consists of the movements of individual streams and those of the drops composing them.

"A river and the *drops* in this river," Lenin wrote to explain the interpretation of the world from the viewpoint of Hegelian logic. "The position of *every* drop, its relation to the others; its connection with the others; the direction of its movement; its speed; the line of the movement—straight, curved, circular, etc.—upwards, downwards. The sum of the movement. Concepts, as *registration* of individual aspects of the movement, of individual drops (= 'things'), of individual 'streams', etc."¹

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 147.—Ed.

The separate sides to the movement of socialist economy, "its individual streams", are the movements of the spheres of production and distribution; the movements of the individual "drops" of these "streams" are the movements of enterprises, that is, the interrelations of the people making up workers' collectives. Given the laws of the economy as a whole, i.e., the laws of the whole aggregate of its spheres and parts, the political economy of socialism (communism) can begin to investigate the laws governing the movement of its separate spheres and of its individual fractional parts.

Laws of the mode of production and laws of individual economic spheres

The basic economic law of the communist formation, the law of planned proportionate economic development, and the other general economic laws, are the theoretical prerequisites for investigating the economic laws governing the separate spheres and parts of economic activity.

Marx pointed out that the economic laws of the separate spheres and parts of social production can be regarded as forms of manifestation of the general laws of an economic formation. This naturally raises the question of whether we could not confine ourselves to investigating the general laws of the communist formation and deducing their many particular and special manifestations directly from them. But in trying to do this, we would be committing a gross error. *The laws governing the functions and development of the particular and individual cannot be reduced to the general laws of the totality and cannot be derived directly from them.* The laws of the movement of the individual spheres and fractional parts of social production cannot be deduced from the general laws of the economy, in the same way as, for example, the laws governing the working of the eye cannot be deduced from the general laws governing the functions of an organism as a whole. In his *Philosophical Notebooks*, Lenin specially emphasised Hegel's profound thought that "appearance . . . as against Law is the *totality*, for it contains Law, *but also more*, namely the moment of self-moving form".¹ The laws of the partic-

¹ V. I. Lenin, *Collected Works*, Vol. 38, Moscow, p. 152.—Ed.

ular and individual reveal the stable, essential connections and relations of this self-movement in their specific form. The self-movement of individual spheres and parts of the whole is not absolute, it is connected with general laws, and determined by them and, therefore, cannot be understood in isolation from them. However, it would not be a *self-movement* if it were *fully* determined by general laws, if its essential connections and relations were identical with the connections and relations of the whole. When analysing the methodology of the classics of bourgeois political economy, Marx showed the metaphysical nature of their attempts to reduce the specific connections of the separate spheres and parts of social production to general laws.

The view that only the laws of the particular and individual are of importance to the researcher because their totality exhausts the essential connections and relations of the whole, is also metaphysical. From this it is only one step to declaring that micro-economic investigation is the only true method of political economy, and this would throw political economy back to the groping in the dark characteristic of empiricism. The full depth of the internal connections and relations of the individual spheres and parts of social production cannot be understood in isolation, without analysing the interaction of these spheres and parts with the economy as a whole. That is, without analysing the connections and interdependencies that transcend the framework of the specific internal relations within each separate part and which, indeed, determine them. In the above analogy, the functions of the individual organs and tissues cannot be understood if we analyse only their own structures and the processes at work in them, since these are determined by their roles in the vital activity of the entire organism.

Below we shall investigate the specific forms in which general laws manifest themselves in the individual spheres and fractional parts of social production.

The sphere of production is the main sphere of the economy. Enterprises are the smallest fractional parts of the sphere of production, its cells, the links in the chain of production collectives, organically interlinked to form a single whole. Some economists, while regarding enterprises as the basic cells of a socialist economy, believe that

they are so only by virtue of the fact that what they produce are commodities. They hold that the fading away of the commodity nature of socialist production will put an end to the key importance of enterprises. We cannot agree with this idea. The socialist producer can be a producer only in a workers' collective made up of people who like him are co-owners of the means of production. The single national economic whole is formed from the connections and interactions of such collectives. Irrespective of whether production is of a commodity character or not, the enterprise will always remain the basic cell in the network of associated producers' economic interrelations.

The workers' collective is the basis for the elaboration and execution of national economic development plans. The all-round, free development of personality takes place in the workers' collective; the social essence of individuals, their abilities and creative potential find expression there. All the connections and dependencies existing in the sphere of production meet and cross in the enterprise. Let us investigate some of them.

Socially combined labour and the function of its organisers

We have said above that public ownership of the means of production obliges all able-bodied members of society, as co-owners of these means, to participate in common labour. The material and technical basis of modern social production can only be worked by *collective labour*. Indeed, systems of machines, which cannot be operated by isolated people, call not only for collective labour, but for *socially combined labour*,¹ i.e., labour that is consciously organised and managed. The very nature of the social labour process gives rise to the special function of *management*. This function is a social relation embodying the

¹ Even in the realm of scientific research, the time of the lone scientist has passed. Research has assumed new proportions. The powers of individual researchers are now clearly insufficient for the solution not only of all the main questions connected with a subject but also all its supplementary questions. Besides, research now involves the use of devices and machines which are themselves products of collective labour and require that labour for their use. This necessitates joint, combined work by teams of researchers.

unity of the socially combined labour process and relates to the entire activity of the enterprise as a whole.

This does not mean, however, that the separation of organisational labour from manual labour is the first ever form that the social division of labour takes, as A. Bogdanov, for example, asserted in his time. There are the rudiments of a social division of labour even in primitive society, arising from differences of age and sex. But the full separation of organisers cannot take place on this basis. It happens only when social labour assumes a comparatively large scale.

"All combined labour *on a large scale*," Marx said, "requires, more or less, a directing authority, in order to secure the harmonious working of the individual activities, and to perform the general functions that have their origin in the action of the combined organism."¹

To be effective the joint labour of a number of people needs to be organised. The unity of collective labour is, as it were, split into two opposites (managers and managed), and their interpenetration and struggle ensures the self-movement of the whole socially combined process of production.

The singling out of organisational labour is an objective necessity of social production, an essential, persistent causal relationship of the members of a workers' collective, in other words, it is a *law* of every process of collective production. It is a law of all socio-economic formations in which there is the social combination of labour.

The separation of organisational labour is not in itself identical with the emergence in society of "rulers" who are placed above workers. Yet under capitalism organisational labour is set up in antagonistic opposition to the labour of hired workers. The organisation and management of production is effected by the capitalist in person or by his representatives. The labour of management, therefore, merging here with the "labour" of exploiting wage-workers, assumes a despotic form.

Under socialism the appointment by collective labour of people to carry out organisational-administrative functions is free of antagonism, since this function is carried out by

¹ K. Marx, *Capital*, Vol. I, Moscow, 1965, pp. 330-31. Author's italics.—Ed.

the joint owners of the means of production themselves. The associated producers consciously appoint from their midst a definite number of work organisers (in keeping with production requirements), who carry out their functions for the benefit of everybody. Therefore, the labour of the organisers does not oppose the interests of the rank and file working people and is neither antagonistic in character nor despotic in form.¹

At the same time "management necessarily implies *competency*", Lenin noted, "...a knowledge of all the conditions of production down to the last detail and of the latest technology of your branch of production is required; you must have had a certain *scientific training*".² Under socialism (communism), because of the new property relations, the organisation of labour cannot become a prerogative of a special, stable social group. This function does not become a life-long, let alone an hereditary privilege. Anybody possessing the necessary knowledge and organisational ability can become a manager of collective labour. The social policy of the all-round development of the personality of every member of socialist (communist) society, and the systems of education and training for labour are directed precisely at developing these abilities. The practically unlimited opportunities provided by production based on public ownership of the means of production helps people to put their abilities, knowledge, talents and creative initiative to practical effect.

The nurturing of organisational talents must be done with scientific thoroughness, with attention and patience, and without unnecessary and harmful haste. It is necessary, Lenin generalised, to "try as carefully and as patiently as possible to test and discover real organisers, people with sober and practical minds, people who combine loyalty to socialism with ability without fuss (and in spite of muddle

¹ Even in conditions of capitalism the antagonistic nature of management disappears at co-operative factories, belonging to workers' collectives. The managers of the factories are paid by the collectives in question, and therefore in their relations with the workers, do not act as representatives of capital (see K. Marx and F. Engels, *Collected Works*, Russ. ed., Vol. 1, Part I, p. 426). The exploitation of co-operative enterprises by monopoly capital is effected through credit, etc. This, however, is a different question.

² V. I. Lenin, *Collected Works*, Vol. 30, Moscow, p. 428. Author's italics.—Ed.

and fuss) to get a large number of people working together steadily and concertedly within the framework of Soviet organisation. *Only* such people, after they have been tested a dozen times, by being transferred from the simplest to the more difficult tasks, should be promoted to the responsible posts of leaders of the people's labour, leaders of administration."¹

Labour is organised not only at the level of the enterprise, but also at the level of the collective of enterprises making up whole industries. In this way the law of the separation by collective labour of the organisational function becomes in socialist (communist) society a law operating not only in individual workers' collectives but also in the *whole* aggregate of enterprises making up *social production in its entirety*.

Society therefore has to select people to organise work on a country-wide scale, or ministers—"by appointing them *national instructors, travelling organisers, assistants in the business of establishing everywhere the strictest order, the greatest economy in human labour, the strictest comradely discipline*".²

Since no modern enterprise, let alone the entire collection of enterprises forming the national economy, could carry on production without the internal links and unity provided by work organisers, their labour is a component part of the productive labour of "the aggregate worker". (By "aggregate worker" Marx understood the whole working people "each of whom takes only a part, greater or less, in the manipulation of the subject of their labour".³ Under capitalism, organisers of work are representatives of capital, and therefore not all of them are part of the aggregate worker; while under socialism, all *socially necessary* work organisers, both on an enterprise and on a national level are part of the aggregate worker (hence their labour is productive labour).

Modern machine production cannot function successfully without a single, united will to direct the work of the perhaps tens of thousands of people at a single enterprise. But is such unity of will possible at socialist (communist) enter-

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, pp. 262-63.—*Ed.*

² V. I. Lenin, *Collected Works*, Vol. 24, Moscow, p. 430. Author's italics.—*Ed.*

³ K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 508.—*Ed.*

prises? Yes, Lenin said, but only "by thousands subordinating their will to the will of one".¹ Only this will enable work organisers to establish the necessary work procedures, and the part in them of every participant, without delay, and avoiding any shirking of responsibilities. "...*Unquestioning subordination*," Lenin said, "to a single will is absolutely necessary for the success of processes organised on the pattern of large-scale machine industry."²

Realising this objective necessity, associated producers consciously and voluntarily subordinate their wills in the process of labour to the direction of the organisers of production, whom they have appointed themselves from their midst. This is called the *principle of one-man management*.

Despite the prejudices of bourgeois economists, who are constantly harping on the alleged existence of an irresolvable conflict³ between one-man management and mass initiative or mass participation in the management of socialist (communist) production, one-man management under socialism (communism) ensures and presupposes the participation in management of all the members of a collective. Bourgeois economists do not want to understand that the unity of organisational and manual labour is rooted in the relations of production generated by public ownership of the means of production. The management of social production is not a technical matter but a social matter, i. e., it is an organic element of every given type of production relations.

Not a single member of the society of associated producers is alienated from the means of production, and as a co-owner of the means of production co-operates with all other working people, including the organisers of the collective work, and in this way participates in the management of production.

Relations between the members of a workers' collective

The new relations between the members of society are to be observed in the process of the formation of a new

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, p. 269.—*Ed.*

² *Ibid.* Author's italics.—*Ed.*

³ See, for instance, N. Spulber, *The Economics of Communist Eastern Europe*, Vol. X, New York, 1957.—*Ed.*

labour collective. Superficially this process is confined to the hiring of the labour force needed by an enterprise. The formation of the workers' collective is assigned to the management of the enterprise.

But what are the essential characteristics of the relations between associated producers at an enterprise? Outwardly, the hiring of labour by an enterprise appears to be a bilateral relation between the enterprise (in the person of its management) on the one hand, and the members of socialist society wishing to join the given workers' collective, on the other. But maybe there is an antagonistic contradiction between the interests of the two parties? At first glance, it may seem that there is. But only at first glance. An analysis of their relation shows that in the process of hiring labour, management and workers do not and cannot pursue antagonistic interests. This is because under socialism the two do not oppose each other antagonistically as under capitalism—where the hiring of labour is a transaction involving the purchase and sale of labour power alienated from the means of production and transformed into a specific commodity. Both sides are members of a society of joint owners of means of production, and both enter into relations with one another as owners of the same means of production. The labour force is not alienated from the means of production and because of that there can be no transactions involving the sale and purchase of labour power under socialism.

In the process of hiring labour at a socialist enterprise, management and workers discuss a question that is of common and equal interest to them, namely, the rationality of employing the workers at the enterprise. This is a discussion involving the workers applying for jobs, the factory bodies carrying out public control, and also non-factory (including state) organisations representing workers' interests on a national scale. This discussion has the aim of discovering whether an applicant for a job is fit for it from the point of view of his inclinations, abilities and physical condition. If the question is decided in the negative the worker does not join the ranks of the unemployed, as he most often does under capitalism.

Marx has drawn a very vivid picture of the purchase of labour power by an owner of money from the owner of labour, a picture that is striking both for its scientific ac-

curacy and its artistic force. "He, who before was the money-owner, now strides in front as capitalist; the possessor of labour-power follows as his labourer. The one with an air of importance, smirking, intent on business; the other, timid and holding back, like one who is bringing his own hide to market and has nothing to expect but—a hiding."¹

A member of a socialist society taking a job enters into relations of comradely productive co-operation and mutual assistance with the members of his collective. Everybody joins a collective in order to contribute his share to the common labour of the co-owners, since it is only in this way that he can express himself as an owner. For this reason too, every worker, as a co-owner, unfailingly participates actively in the management of production. This participation is expressed, first and foremost, in the *sense of responsibility displayed by the worker towards his work*. Everyone is obliged to supervise his own work himself and check that his work is completed on time. Again, since socialist production relations are grounded, as Lenin said, on self-organisation, mutual trust and respect, and on the independence and creative initiative of the members of a collective, everyone must consciously observe and strengthen comradely labour discipline. Everyone must independently see to it that the means of production are used rationally: that instruments of labour are used with care, without breakages and stoppages; that raw and auxiliary materials are not wasted, i.e., are used within the limits set by quotas, with the least possible rejects, etc.

"Technique," said Lenin, "makes absolutely imperative the strictest discipline, the utmost precision on the part of everyone in carrying out his allotted task, for otherwise the whole enterprise may come to a stop, or machinery or the finished product may be damaged."²

As regards his own self-organisation and his sense of responsibility towards his work, every worker is at his work place *an organiser and an executor, both manager and managed*. The labour of the workers of enterprises, distributed among sections and separate work places, is not the isolated labour of individuals. It is the aggregate labour

¹ K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 176.—*Ed.*

² V. I. Lenin, *Collected Works*, Vol. 25, Moscow, pp. 480-81.—*Ed.*

of a collective. In order to participate in collective management, every member of a collective must know the state of affairs existing in it, and the place and role of his own work in it. Foreseeing this, Lenin wrote: "In capitalist society statistics were entirely a matter for 'government servants', or for narrow specialists; we must carry statistics to the people and make them popular so that the *working people themselves may gradually learn to understand and see how long and in what way it is necessary to work, how much time and in what way one may rest. . .*"¹ As a result, everyone can work in a conscious, voluntary and responsible way, and it is possible "for the economic mechanism to work like clockwork" (Lenin).

**New attitude towards labour and participation of the
workers of an enterprise in its management**

Joint labour always evolves a healthy competition among its participants. Marx wrote that "mere social contact begets in most industries an emulation and a stimulation of the animal spirits that heighten the efficiency of each individual workman".² The associated producers consciously compete for the most rational and effective use of their means of production and labour time. Joining socialist emulation drives, they selflessly help each other, especially those lagging behind, share their experience and knowledge and strive for the improvement of production processes, etc.

Socialist emulation is the primary form of the direct participation of every worker in the collective management of production. Emulation is an objective condition for the economic success of associated producers.

"Among the absurdities which the bourgeoisie are fond of spreading about socialism is the allegation that socialists deny the importance of competition. In fact, it is only socialism which, by abolishing classes, and, consequently, by abolishing the enslavement of the people, for the first time opens the way for competition on a really mass scale. And it is precisely the Soviet form of organisation, by ensuring transition from the formal democracy of the

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, p. 261. Author's italics.—Ed.

² K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 326.—Ed.

bourgeois republic to real participation of the mass of working people in *administration*, that for the first time puts competition on a broad basis. It is much easier to organise this in the political field than in the *economic field*; but *for the success of socialism, it is the economic field that matters.*"¹

It should be noted that even elementary forms of participation in the collective management of production, and a truly conscientious attitude towards labour, do not emerge at once, and not in all workers at the same time, or to the same degree. It also happens in practice that the objective conditions of collective labour are neglected. Vestiges of capitalism in the economy and in the people's consciousness continue to exert their baneful influence for a long time.

However, it is not the deviations that are important, but the main line of development, which becomes clear soon after the building of socialist economy begins. The decisive thing is that socialist conditions and standards for collective labour and for its management are introduced into social production on a growing scale, and become to an ever greater extent the standards adopted in the work of all the members of society.

Socialist emulation reflects from the very start the new, truly responsible, that is, communist attitude towards work. Socialist emulation is the content of *the law of a truly responsible attitude towards work* of the members of socialist (communist) society. The participation of the masses in management is based upon this attitude. They do this not in accordance with "instructions from above", but because it is an objective requirement of social production. The participation of the broad masses in production management becomes a principle under socialism (communism) and develops as the masses grow aware of their own role in the building of the new society.

The forms taken by the participation of the masses in production management differ at the various stages of social development. They cover general meetings of the workers of an enterprise; trade union production committees and meetings on labour protection and social insurance;

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, pp. 259-60. Author's italics.—Ed.

production improvements, innovations and inventions; labour courts; team and shop production meetings, etc. New forms of mass participation are voluntary spare-time technical research groups, laboratories and design bureaus; economic analysis groups and public rating bureaus; public technical information bureaus; and meetings of advanced workers (whose decisions carry a lot of weight). The standing factory production committees, the participants of which are elected at general meetings of all the workers of an enterprise, have become a special form of the collective management of enterprises. By the beginning of 1960, seven million people had been elected to such committees. The sittings of these committees may be attended by any worker of an enterprise and not only by the elected representatives. They discuss many questions connected with the enterprise's activities, listen to reports of the director, etc.

As economic development progresses, the Soviet people, headed by the Communist Party, constantly improve this system of the direct participation of the working masses in production management. The members of socialist society participate more and more actively in discussions of major social and economic problems. These are not like the "polls" in the capitalist countries in which citizens are asked to give "yes" or "no" answers to questions, but discussions in which problems find preliminary solutions. For example, 70 million out of the close on 100 million factory, office and other workers and collective farmers took part in the discussions on the draft control figures for the 1959-65 Seven-Year Plan, and submitted over four and a half million proposals, the bulk of which were taken into consideration when the final plan was approved.

Admittedly, many difficulties have still to be overcome and many problems have still to be solved to improve the system of economic management. But it is by consistently overcoming objective difficulties and shortcomings, and various subjective obstacles, that the Soviet people (led by the Communist Party of the Soviet Union) develop step by step a sense of responsibility towards socialist property, and a communist attitude towards work.

The organisers of production rely on the active participation of the broad mass of working people, on their practical experience, their knowledge, and on the force of

social action, that is, on the extensive support of their work by the collective. At the same time, the extensive participation of workers in production management brings out the initiative of the work organisers themselves. The higher the discipline of the rank-and-file worker, the greater the demands he puts on work organisers (with respect to the supply of materials, the co-ordination of work, the struggle against rejects and stoppages that are no fault of the worker, etc., etc.). The more producers participate directly in production management, the larger becomes the number of people from among whom managers can be chosen.

Collective management and one-man management are two mutually interpenetrating sides of the single process of socialist economic management. It is one of the most convincing demonstrations of the principle of democratic centralism. The close combination of collective and one-man management embodies the unity of management and execution, which is the basis for successful economic activity under socialism (communism).

Every work organiser, and every rank-and-file worker, not only acts jointly with others, but is also responsible to them and indeed to the whole people for his activity. This democratism in management presupposes an implementation of extensive control by the whole people over all the sections of social production. Of course, there are still work organisers who have a one-sided understanding of their duties, and this eventually alienates them from their collectives. "Some comrades," the Report at the November (1962) Plenary Meeting of the C.C. C.P.S.U. noted, "understand the principle of one-man management one-sidedly, understand it as administering, commanding, managing production without the active participation of the factory and office workers and specialists. These comrades forget Lenin's directive on the correct combination of the principle of one-man management with the broadest enlistment of the masses in production management."¹ Undoubtedly, there are still people who have not yet acquired a sense of responsibility towards their work, are passive and inert. Some of them still regard work in the same way as a "serv-

¹ *Plenary Meeting of the C.C. C.P.S.U., November 19-23, 1962, Stenographic Account*, p. 65.—Ed.

ing man", as Lenin said, trying to do as little as possible by sticking to the principle of "grab as much as you can and make haste". And it is true that these vestiges interfere with the implementation of the objective requirements of collective labour. But the conscious realisation of these objective demands of socialist economy, and the various forms of the struggle against the vestiges of former times obstructing such a realisation, eventually lead to the triumph of socialist principles in the economic activity of every workers' collective and their every member.

This applies first and foremost to the vanguard of the people—the Party armed with the knowledge of scientific communism. It works for the understanding by society of the essence of its production relations and guides the conscious, active economic activity of society in general, and of every collective in particular. It imbues the masses with consciousness, instills in them a sense of responsibility for their work, for the common property of all associated producers and promotes the optimal manifestation of the law-governed trends of socialist (communist) economy.

Working out production targets

How is the size of an enterprise's share in the common labour to be determined? The elaboration of a plan begins with the drawing up of draft plans. Keeping in mind instructions from higher economic bodies and basing itself on its own possibilities, every enterprise outlines the kinds and quantities of articles it can produce in the period to be covered by a plan. This draft is drawn up by the management of the enterprise with the participation of the workers, is discussed at the permanent production conference of the enterprise and then submitted to the higher bodies.

The relevant Ministry, and later the State Planning Committee (Gosplan), consider the enterprise's draft (Gosplan considers the drafts of the Ministries), and in the light of national economic needs, amend it, and co-ordinate the intended activity of the enterprise with that of other enterprises, including supply and sales organisations, etc. The draft plan drawn up in this way is then submitted back by Gosplan to the Ministries and ultimately to the enterprise itself for reconsideration. The final draft containing

all amendments is returned to Gosplan, which draws up the plan for submission to the Government for approval. After its approval the plan becomes a task binding on the enterprise.

It would be natural to suppose that, since the basic means of production in the country are jointly managed public property and the production of the needs of society is embraced by a single economic plan, the tasks to be assigned to enterprises should be determined by the central bodies entrusted with economic management. However, as we have just seen, the drafting of the production plans of enterprises begins at the enterprises and not in the centre. This is because the enterprise can appraise its own real possibilities better than anyone else. Only the enterprise has an accurate knowledge not only of its official potentiality but also of its actual possibilities, and especially of the real internal reserves inherent in the creative initiative of its collective.

The fact that the elaboration of production targets begins at the enterprise and not in the centre is in full keeping with the principle of democratic centralism. Violation of this principle tends to undermine the unity, integrity and co-ordination of a socialist economy. Absolute decentralisation of management would give rise to anarchical competition between workers' collectives, while absolute centralisation would suppress all independence of enterprises, their local interests and initiative, and would ultimately undermine their community of interests.

Class enemies of socialism try to make capital out of the cases of the violation of the principle of democratic centralism that are still to be observed in socialist economic practice. By exaggerating these facts, they seek to use them to substantiate their propagandist inventions about the totalitarian essence of socialism which, they allege, suppresses the personality (the individual), and about "regimented" communism and the relations of "servitude" that are supposed to exist between the individual and society, etc. The method of making mountains out of molehills is not new.

The working class, led by its Marxist-Leninist Party, creates a new society ruled not by chaos but by the voluntarily co-ordinated, conscious activity of all individuals in their own common interests. Proletarians build a society

in which there is no antagonistic contradiction between the interests of the individual and the common interests of all the people. Their social relations are not externally imposed links between disunited individuals, but internal conditions and means for their own self-activity as individuals united in common ownership of the means of production.

Two sides participate in the working out of production targets: 1) the enterprise (the workers' collective) and 2) society, as represented by its central bodies for economic management. The relation between the two sides is not superficial. It is a dialectical interrelation between part and whole, interconnected and mutually conditioned. In their movement they enrich one another and unfold one another's potentialities. Following the analogy given above, the relation between the enterprise and society under socialism can be pictured as a relation between an individual organ and the organism as a whole. True, this or that enterprise may, naturally, become (to pursue the analogy) a sick organ. Lenin foresaw such a possibility, and suggested that enterprises going too far outside the bounds of socially co-ordinated activity be put into "the category of sick enterprises in regard to which measures have to be taken for their rehabilitation by means of special arrangements—special steps and statutes..."¹ However, even these enterprises do not enter into antagonistic contradiction with society as a whole. An enterprise is a "cell", even if a sick one, of a single, integral, socialist economy.

The interrelations of the parties working out production targets for a socialist enterprise differ fundamentally from, say, the relations between customer and contractor under capitalism. Because of the contradictions between their direct interests, the latter attempt to obtain the greatest advantages from one another—on the one side, to pay as little as possible, on the other, to make the customer pay through his nose. The relations between socialist society (the customer) and the socialist enterprise (the contractor) are relations between co-owners solving in their common interest an identical economic task, that of developing social production in the most effective way. Under socialism (communism) each worker and, hence, every workers' col-

¹ V. I. Lenin, *Collected Works*, Vol. 27, Moscow, p. 206.—Ed.

lective is interested in such production development. This is because only a growth of production can bring about an increase in the satisfaction of individual and collective requirements.

Personal material interest

The objective economic interconnection of production and consumption expresses itself notably in personal material interests. Lenin thought of the idea of a gap existing between production and consumption as an economic absurdity.¹ Every producer should immediately and tangibly feel the results of his labour in his personal consumption. This principle underlies socialist individual distribution, that is, to each according to the quality and quantity of his labour. When speaking about collectives which achieved outstanding results, Lenin remarked: "the most outstanding communes may be rewarded immediately (by reducing the working day, raising remuneration, placing a larger amount of cultural or aesthetic facilities or values at their disposal, etc.)".²

The process of consumption is not merely a passive consummation of the fruits of production, but it is rather, as Lenin emphasised, an active instrument for increasing production. This makes the personal material interest a stimulus in the productive activity of every individual member of a workers' collective and of the collective as a whole. It expresses the interpenetration of production and consumption, as well as the mediation by the collective and its individual members of the content and stimulating force of the basic economic law of socialism.

During the period of war communism, Lenin noted that a socialist economy cannot rest solely on the enthusiasm born of a great revolution. Important as it is, enthusiasm is not itself an economic basis and cannot therefore alone be sufficient for economic development. A socialist economy demands reliance on personal interests, on the personal incentives of each and every worker.

"Personal incentive will step up production ... every

¹ See V. I. Lenin, *Collected Works*, Vol. 32, Moscow, p. 104.—*Ed*

² V. I. Lenin, *Collected Works*, Vol. 27, Moscow, p. 261.—*Ed*.

important branch of the economy must be built up on the principle of personal incentive."¹

Continuing Lenin's teaching on the importance of the personal material incentive, the Party has defined it as a most important lever for the development of socialist economy.²

If we look only at the surface of socialist relations, material incentives will appear simply as the incomes of individual enterprises and of their individual workers. In practice, there can be, of course, "some opposition of interests", as Lenin said. But only "some", and no more than that, an opposition that finds expression in parochialism and can be overcome by democratic centralism. Lenin realised that some opposition of interests evolves inevitably, "in view of the urgent need to increase the productivity of labour and make every state enterprise pay its way and show a profit, and in view of the inevitable rise of narrow *departmental* interests and *excessive departmental zeal*..."³

But even under these conditions, the personal material interest, as a mediated expression of the basic economic law of communism, embraces the general interests of the associated producers as a whole. The personal material interest of each merges with the essentially identical interests of other members of the collective, and forms together with them the common material interest, expressed in the requirements of the basic economic law of communism. However, this does not remove the differences in the unity existing between the interests of society as a whole, those of individual enterprises and those of every worker. The basic economic law does not do away with material and moral interests but, on the contrary, presupposes them. The satisfaction of people's personal requirements depends on their participation in common labour: the larger their personal labour contribution, the greater the extent to which their personal requirements are satisfied. At the same time,

¹ V. I. Lenin, *Collected Works*, Vol. 33, Moscow, pp. 59, 70.—Ed.

² The September (1965) Plenary Meeting of the C.P.S.U. noting that the interest of the production collective (and of every single worker) in improving the overall results of an enterprise's activity was entirely insufficient, outlined measures designed to produce a substantial increase in the material incentives of workers.

³ V. I. Lenin, *Collected Works*, Vol. 33, Moscow, pp. 185-86. Author's italics.—Ed.

the income of society will be the higher the more articles are produced by individual workers' collectives, i.e., the greater the contribution of every collective to the total social product.

The material interest of a workers' collective is expressed not only in its striving to increase its income, but also in its efforts at co-operation and emulation, its sharing of production "secrets", common efforts to improve the work of every member of the enterprise, and the work even if only of directly allied enterprises. Growth in the incomes of the members of a workers' collective can be achieved only by these methods. In the final analysis, the personal material interest *includes* the common interest of the associated producers in increasing production. We can say, therefore, that material interests cannot be opposed to moral interests.

Material and moral interests determine each other; they are essentially two sides of the same overall economic interest of the associated producers.

Under capitalism, "material interests" are mostly of an antagonistic character. They embody class and intraclass oppositions of interest, the ruthless competition of people in their struggle for any kind of personal income.

Some economists reduce the content of the personal material interest under socialism to the personal striving of every individual worker to get the highest possible income for himself at the expense of others, and thereby identify it with the competitive capitalist pursuit of profits.

There is really no necessity to refute these fabrications. They have nothing in common with Marxism and only use Marxist terms as a guise. The Leninist essence of the valid and proper use of material incentives has nothing to do with the "dog-eat-dog" essence of capitalism. The scientific realisation by the masses of the character of the material interest under socialism does not slacken their efforts to implement the Marxist-Leninist policy of socialist construction, but, on the contrary, raises it to new heights.

Lenin wrote: "We value communism only when it is based on economic facts."¹ The political education of the masses shows results in their economic activity only if it is based on the realistic objective demands of production.

¹ V. I. Lenin, *Collected Works*, Vol. 29, Moscow, p. 191.—Ed.

Socialist consciousness finds its expression in the realisation by the masses of these objective demands.

Material incentives increase the creative activity of all members of a production collective. An enterprise must be given a certain amount of *freedom for economic manoeuvring*, or a certain economic independence so that it may use material incentives correctly. This was mentioned by Lenin when he spoke of the necessity for socialist enterprises to operate with "the *utmost* freedom to manoeuvre".¹

Economic independence of the workers' collective

The enterprise's economic independence is expressed in its ability to dispose of its fixed assets and assets in turnover, and to use a definite part of its profits for developing technology and for raising labour productivity. This freedom of every enterprise to manoeuvre within the framework of the national economic plan is in the common interest. Operational and economic independence is a necessary freedom enabling enterprises to improve their plans and targets. Lenin considered it essential for the plan of every workshop to be improved, elaborated, perfected and modified on the basis of its practical experience.² *The economic independence of the enterprise is not an end in itself but an instrument which society uses to ensure that it gets the best results from the work every enterprise does in pursuit of common aims.* The enterprise must manage its activities in such a way that the means of production and labour force placed at its disposal give *maximum* results with the *minimum* outlay of labour per unit of output, and that the means invested in fixed assets and assets in turnover are *not wasted* and production is profitable.

However, the independence of the enterprise does not mean that there is a complete lack of control, and irresponsibility. On the contrary, *the freedom to manoeuvre is possible only if the enterprises are fully responsible to society* for their activity, determined by the targets of the national economic plan. Lenin said that freedom of manoeuvre is possible only if there is "strict control of the actual

¹ V. I. Lenin, *Collected Works*, Vol. 33, Moscow, p. 189. Author's italics.—Ed.

² See V. I. Lenin, *Collected Works*, Vol. 31, Moscow, p. 515.—Ed.

successes achieved in increasing production, in making the factory pay its way and in increasing profits and carefully *select* the most talented and capable administrative personnel, etc.”¹

These Leninist principles of economic management, which are no less important today than when they were formulated, have frequently been violated or not fully implemented. This was due partly to objective causes—at one time the Soviet Union was the only country building socialism; encircled by aggressive capitalist states it was subjected to various pressures, including destructive military invasions. Such conditions demanded a strengthening of centralism in economic management. Strict centralism was preserved in the form that was most suitable at the time but became excessive under new conditions, when it began to interfere with the initiative of the masses in production. But the main cause for the violation of these principles was of a subjective order.

The voluntaristic conception of the state's economic role, and the excessive centralism that went with it, did not make for the deep mastery of the objective economic laws of socialism. This led to the neglect of Lenin's propositions on democratic centralism, and on the significance of material incentives and the economic independence of enterprises for economic development. Voluntarism in planning and economic administration interfere not only with the correct understanding of economic laws but also with their correct application.

With due regard to the operation of the basic economic law of socialism and in accordance with the principle of democratic centralism, *the enterprise is assigned the role of main link in socialist economy*, of a technical and economic complex, appointed to supply society with the output it needs.

Plan indices and their stability

Socialist society as a whole and each enterprise in particular determine the plan targets for the enterprise in a co-ordinated manner, relying on the unity of the economic

¹ V. I. Lenin, *Collected Works*, Vol. 33, Moscow, p. 189. Author's italics.—Ed.

interests of society and the collective, and proceeding from real possibilities (the potential of the enterprise's productive assets and their possible rate of growth). Both sides are naturally interested in setting targets of a size that correspond to social requirements, promote to the utmost the rational utilisation of the enterprise's production potential and of the capital invested in it, open up wide vistas for its operational independence and stimulate the creative initiative of the collective.

Thus, while the plan for the enterprise is being drawn up, a number of indices are provided to serve as criteria for its co-ordination, and for the rational accounting both of social needs and local possibilities.

Until recently a great many indices were used in planning. Theoretically, their number should not be arbitrary. What basic indices should be used for co-ordinated economic management within the framework of the individual enterprise, and on what grounds should they be chosen? An objective theoretical approach to the determination of the necessary number of plan-target indices for an enterprise should begin with the following two considerations. First, they must ensure that it operates *in unity* with all other units and sections of the economy. Second, they should ensure the necessary operational and economic independence to the enterprise, and stimulate the personal material interest of the whole collective and of every individual worker in fulfilling the plan. The plan for the enterprise should stipulate the *range of articles*—what kinds and quality of articles are to be produced by it, and the *volume of production* (as required by the overall national economic plan). The plan-target must also provide for the material and technical means needed to fulfil the targets set, the *time-limit* within which they must be reached, and the *destinations* of the products of the enterprise (who is to receive them and to acknowledge their receipt, i.e., for the realisation of the product). The plan-target also has to give the *national-economic labour product ratio* for the articles, in other words, should state the *maximum* amount of living and embodied labour that the enterprise may spend on the production of the stipulated output. The plan must decide the *value* to be attached to an enterprise's products, i.e., the wholesale prices at which the enterprise must sell them. Naturally, in addition to these basic indices, and with

their help, the society of co-owners-co-workers determines the level of *profitability* of the enterprise and the deductions to be made from its profits for the country's general needs. Within the limits of the set targets the enterprise has every opportunity to solve all other questions relating to its economic activity independently.

The stipulation of *basic* indices only in the plan for the enterprise is sufficient to ensure that its activities are in harmony with those of all the other parts of the socialist economy.

There are still economists who insist that all enterprises and all branches of the economy be allowed to draw up their own plans and to look for customers themselves. The central bodies, they believe, should do no more than indicate the general direction and the general limits of development. They consider that even a minimum number of indices deprives enterprises of the chance to react flexibly to market requirements. Attempts at such extreme forms of decentralisation in some socialist countries have resulted in fiasco. To insist on this point of view is unadulterated revisionism, something that has already been discredited both theoretically and practically.

Co-ordinated planned economic management requires that the plan for the enterprise be fixed and stable for the whole period of its operation. Naturally, changes in the plan are unavoidable but they must be minimal, the exception rather than the rule. Such changes involve the recalculation of all plan indices. Frequent and radical changes in targets inevitably interfere with the smooth operation of an enterprise and with its economic performance.

The stability of plans is essential for the successful economic activity of enterprises and serves as an indicator of the maturity of the entire economic system. However, in the recent past, under the system of administration by economic councils, this objective demand was frequently violated, which had a harmful effect on the performance of enterprises.

At present, in conformity with the newly adopted Statute of the Socialist State Industrial Enterprise, the plan targets of enterprises, once approved, can be changed by superior bodies only in exceptional cases, and only if such changes are discussed beforehand with an enterprise's administra-

tion, in accordance with the procedure and within the time-limits fixed by the U.S.S.R. Council of Ministers.

In making a theoretical analysis of the essence of the relations expressed in a plan, it is possible and necessary to disregard disturbances of its stability. One of Marx's most important methodological generalisations states that the making of such abstractions is necessary to lay bare a phenomenon in its law-governed form, in a form corresponding to its concept, in this particular case, to the concept of co-ordinated planned economic management (reflected in the stable plan target)—in order to find the real tendency determining its movement and thus, in a manner of speaking, to fix it.¹

However, while we investigate phenomena in their pure form, we can always speak of errors made in the implementation of the various principles of economic management. Does this not contradict the above methodological principle? No, it does not contradict it, it supplements it.

Many shortcomings are revealed in the course of practical economic activity, including, among other things, a lack of correspondence between the production possibilities of enterprises and the targets handed down to them. As an example we may mention the contradiction that may arise between the quality of an article and the volume of production fixed for it—a contradiction often encountered in economic practice. For example, the plan for, say, an electric bulb factory provides for the manufacture of a certain quantity of light bulbs, the service life of which is to be of a certain definite, technically determined length. The volume of production of the bulbs is determined by the length of life expected of them. The factory succeeds in extending the service life of its bulbs. Hence, it should later be necessary to decrease the volume of its output. Yet, this is not taken into account and the factory is expected to produce the former amount of bulbs, i.e., the fulfilment of its plan is determined solely according to the volume of its production, or the *volume index*.

A wide discussion of such contradictions by the Soviet public and their elimination under the guidance of the Communist Party have become essential conditions for the further development of the economy.

¹ See K. Marx, *Capital*, Vol. III, Moscow, 1966, pp. 189-90.—Ed.

Bourgeois economists try to make use of the exposures of shortcomings and difficulties in socialist economies to give substance to their claim that systems of centralised planning are useless. They do not wish to understand that from its very beginning the Soviet state has always been against absolute centralism, as it has always been against absolute decentralisation. Economic activity can be based only on the principle of democratic centralism, and on the extensive use of criticism and self-criticism as means of struggling against deviations from this principle. This struggle is a struggle for the further development of the principle of democratic centralism, and not for the "free movement of prices" or the right of the directors of enterprises to take arbitrary decisions (simply to meet market conditions).

The joint owners of the means of production cannot fail to discuss their economic activity, to remedy faults and improve their system of economic management. Socialist economic management is a living, developing process—people seek, strive, encounter difficulties, commit errors, rectify mistakes, abolish shortcomings, and steadily advance. The co-owners of the economy are interested in the all-round consolidation and development of co-ordinated economic management on the basis of democratic centralism.

The *disclosure of shortcomings* encountered in the economy, and in the activities of every individual workers' collective, by means of *popular control, criticism and self-criticism, and involving extensive publicity is an expression of democratic centralism*. It helps reveal the objective demands and regularities of production. *Publicity, criticism and self-criticism, i.e., popular control*, are powerful devices for eliminating shortcomings and achieving labour results that satisfy the objective demands of social production, and lead to the attainment of the abundance of output throughout society that is needed to ensure the full satisfaction of society's needs.

Exchange of activity between workers' collectives, and cost accounting

At the same time as the plan for an enterprise is drawn up, plans are compiled for the supply to it of raw and other materials, power and transport, and the necessary instru-

ments of labour. Enterprises enter into economic relations in accordance with these plans. They become either supplier-enterprises or consumer-enterprises, contractors or clients. The necessary relations of co-operation, etc., are fixed on the basis of their specialisation. All these connections together comprise the planned exchange of activity between workers' collectives on a social scale. This is the active interaction of operationally independent collectives fulfilling a single economic task—the rational, thrifty utilisation of labour power and means of production to obtain a maximum volume of output. Therefore, every enterprise that is a consumer becomes a demanding controller of the work of supplier enterprises, and insofar as it is at the same time a supplier itself, is in its turn controlled by other consumer enterprises. In this way the co-owners check that their labour expenditure conforms to the average socially necessary labour time fixed by society. For this reason the exchange of activity between collectives takes the form of the exchange of equivalent quantities of the materialised results of their labour (we are ignoring here the possible deviation of prices from values). Complete responsibility is borne by enterprises for the quality of their output and the efficiency of their production. In other words, this is an exchange of activity in which, as Lenin said, “the enterprises themselves should be responsible and, moreover, fully responsible, for their enterprises working without a deficit”.¹ The essence of *cost accounting* as an objective economic interrelation of associated producers, and the content of the concept “cost accounting” as an economic category, comprises the following: equivalent exchange of high quality products; full responsibility on the part of enterprises for the fulfilment of their mutual obligations; mutual control of the fulfilment of these obligations; the ensuring on this basis of the socially successful and profitable work of each interacting workers' collective.

Some economists consider that economic interrelations between enterprises have a subjective, volitional rather than objective nature. Undoubtedly, many subjective elements are involved. However, while exchanges between enterprises are co-ordinated, that does not make them sub-

¹ V. I. Lenin, *Collected Works*, Vol. 35, Moscow, p. 546.—Ed.

jective in origin, because co-ordination itself is objective—an objective requirement of socialist (communist) production.

It follows that economists who regard cost accounting as involving only temporary relations (determined only by the commodity-money nature of socialist production) are therefore wrong. The relations of cost accounting are constant relations which are inherent in *the communist formation as a whole*, irrespective of the method by which the expenditure of social labour is reckoned. Under socialism the exchange of production activity among associated producers takes place in a commodity-money form. Cost accounting must therefore take on the same form, since mutual settlements between producers of their expenditures of social labour cannot be effected under socialism on the basis of the measure inherent in labour—labour time.

Commodity-money relations in the form that cost accounting assumes under socialism do not and cannot change the latter's essence. The exchange of production activity *within* the workers' collective assumes a value form—the form of wages—in proportion to the skill and the efforts of each member of the collective. The exchange of production activity *between* workers' collectives also assumes a value form, the form of the sale and purchase of commodities. This exchange is specific not only because it is effected through the medium of value, but also because value itself has become an expression of socialist production relations. Wages are no longer the price of the commodity "labour power", and prices and the exchange of commodities between enterprises have lost their spontaneous character. The sale of commodities under socialism is based on the general targets of the economic plan and is effected not on the basis of fluctuating prices, formed blindly by the "invisible hand" of supply and demand, but on the basis of wholesale prices fixed according to plan, prices (if we take phenomena in their pure form) close to values, without which there could not be the equivalency of exchange essential to socialist economy. Under socialism, wages and the exchange of commodities are no longer forms of the manifestation of private property relations, with the antagonistic interests specific of them, but forms of the manifestation of public property relations with the *community* of interests typical of them.

The community of interests of the participants in socialist production is a *threefold* interest in one, as we have already said above, i.e., the interest of society as a whole, that of every individual workers' collective and that of its every member. These interests are identical because all three go to form part of the content of the communist formation's basic economic law. The interest of society as a whole is that of ensuring the full welfare and all-round development of every member of society. Therefore, the common interest cannot contradict the interests of the workers' collective nor those of its members (just as these cannot oppose the common interest). At the same time, these various interests also have certain special distinctions of their own because they enter the process of co-ordinated economic activity in different ways. The interest of society enters this process through the national economic plan, the interests of the enterprise through its own production plan and the interests of every member of the workers' collective through his individual participation in joint labour.

The union of these three interests in a single threefold interest is not a mechanical union. It is a living, organic union in which the interacting parts possess (to borrow Marx's expression) equal dignity, consist of the same flesh and blood. None of the parts of this threefold interest could exist separately. They determine one another. It is only on the ground of their unity that the whole social economic organism can function normally.

Even though separating the parts of this threefold interest and setting them in opposition to one another is essentially impossible, yet, elements of a divergence between them may emerge. This threefold interest evolves naturally out of the relations existing between associated producers. However, certain conditions are needed for its effective implementation. Under socialism these conditions include first and foremost—sound economic planning and the clear definition of plan targets for enterprises, the maximum possible correspondence of prices to values and equivalency of exchange, the operational and economic independence of enterprises, and the provision of material incentives. Any deviation from these conditions may bring about a state of affairs in which the parts of society's single united interest act in different directions, giving rise to unnecessary con-

traditions between them. This interferes with the normal course of the economic life of society.

The post-war years revealed certain general shortcomings in planning, and especially in the planning of the production tasks for enterprises, which made it more profitable for enterprises to manufacture some products in preference to others. The obvious result was that the interests of society as a whole did not always coincide with those of individual enterprises. For example, to ensure the productivity of social labour iron and steel works must produce high precision rolled metals of all kinds. This meets both the interests of society as a whole and the requirements of the law of the planned proportionate development of the economy. At the same time the then existing methods of planning and evaluating the performance of iron and steel works only by the volume of their output did not stimulate the production of more economical, advanced (and at the same time more labour-intensive) kinds of rolled metals, since the lower the metal/product ratio, the smaller the volume of output and the lower the labour productivity. It was therefore unprofitable to produce rolled metals with a low metal/product ratio.

The fact that enterprises often found it more profitable to produce obsolescent products, the manufacture of which they had long since mastered, instead of making new products, was obviously in sharp conflict with the true interests of society. It did not stimulate constant improvements in the quality of goods since improvements are invariably linked with additional expenditures on materials and labour—and these costs were not refunded to enterprises under former planning practices.

The normal exchange of activities between associated producers, or their co-ordinated economic activity, is incompatible with such shortcomings. The decisions of the September (1965) Plenary Meeting of the C.C. C.P.S.U. have created conditions for the full elimination of these shortcomings by increasing the operational and economic independence of enterprises while strengthening centralised planning and management. Their elimination guarantees the unity of interests of society as a whole, the workers' collectives and their members, and the normal exchange of their activities.

However, normality in the associated producers'

activity is not something that is achieved automatically, it is a need that is realised by them and is therefore consciously controlled by them. *Cost accounting* is a means of such control. Through the instrumentality of wages, it controls the mutual exchange of the activities of all members of the workers' collective. Cost accounting mobilises the material interests of the members of a collective and thereby promotes the growth of their labour productivity, enhances everyone's sense of responsibility for the common cause, for his labour and for common property, and promotes on this basis emulation between the members of the collective. In this way cost accounting helps to abolish the vestiges of the capitalist past, which made people consider as their *own* only those things which they could, as it were, put into their *own* pockets.

Cost accounting within workers' collectives assumes a variety of forms. Cost accounting makes it possible to effect financial control over the fulfilment by each enterprise of its obligations (the targets for the production and sale of this or that product stipulated in its economic plan). Enterprises mutually control the products they receive from each other, check their conformity with the terms of contracts, their quality and completeness, their timely delivery and the fulfilment of other conditions in their planned transactions. Cost accounting thus ensures equivalency in the purchase and sale of commodities—that is, mutual control by enterprises over the correspondence of the results of their activities with expenditures on labour and materials. The strengthening and wider use of cost accounting, the September (1965) Plenary Meeting of the C.C. C.P.S.U. noted, will help to find new ways and means of improving production and raising the incomes of enterprises and, thereby, the national income.

Utilisation of the means of production by the workers' collective

When analysing the question of the utilisation of means of production within the enterprise, we must of necessity look into some technological and technical problems, though political economy does not concern itself with purely technical matters. Lenin always emphasised that

economists should foresee technological development so that they should know its possibilities and be able to make appropriate production demands on science and technology. The economy is nothing but a process of the social utilisation of means of production for the creation of the material wealth needed by society. In this sense all technology becomes part of the economy as a form of the development of the productive forces.

The utilisation of means of production by the working people's collectives is a many-sided process. First of all, the enterprise must receive a relevant quantity of means of production and have at its disposal the required amount of labour. The greater the volume of its planned output, the greater the mass of means of production it requires. The principal means are the instruments of labour, since volume of output depends on their quantity and speed of operation. Of course, for efficient production, the means must be of the highest quality.

The necessary quantities of various kinds of machinery of the needed quality, together with raw and other materials, are chosen in accordance with the basic indices in the enterprise's plan. Account is taken of the current level of technological development. Then the particular technological processes for the production of the planned articles are worked out, and labour is organised. (Naturally, the technological processes of production and the organisation of labour themselves, affect the selection of the necessary machines and materials.)

As regards the whole process of the modern machine production of any product, Marx wrote, "... the process as a whole is examined objectively, in itself, that is to say, without regard to the question of its execution by human hands, it is analysed into its constituent phases; and the problem, how to execute each detail process, and bind them all into a whole, is solved by the aid of machines, chemistry, etc."¹ This division of the production process forms the basis for the correct arrangement of work places and for the division of labour among the workers.

As machine production develops, more and more working time is spent on the direct actual production of material wealth, which thus becomes more and more of a contin-

¹ K. Marx, *Capital*. Vol. I, Moscow, 1965, p. 380.—Ed.

uous process. The most advanced systems of modern machine production are automated systems, in which man only has to control the actions of machines. However, the bulk of enterprises still have systems of mutually inter-linked machines performing only parts of production processes, and it is still essential for men to be present to link them. Such a complex of machines is the more efficient, the closer it approaches a fully mechanised production. Marx said: "The collective machine, now an organised system of various kinds of single machines, and of groups of single machines, becomes more and more perfect, the more the process as a whole becomes a continuous one, i.e., the less the raw material is interrupted in its passage from its first phase to its last; in other words, the more its passage from one phase to another is effected, not by the hand of man, but by the machinery itself."¹ Marx's words can be fully applied to automated production, since raw materials are set in motion and processed from the first to the last phase of the production process not by men but by mechanisms.

The greater part of the technological basis of machine production is formed by machines which Marx termed *mature machines*, i.e., those whose basic design remains unchanged for long periods of time—which makes it possible to improve and modernise them repeatedly. A machine that cannot be modernised, quickly becomes obsolete and useless, and the labour spent on its production is not utilised by society to the full (but is, rather, to some extent, wasted).

Not every machine can be used in production. The use of machines has objective limits. "The use of machinery," Marx said, "for the exclusive purpose of cheapening the product (in socialist society only this task, and the lightening of labour, is the motive for using machines—A.R.) is limited in this way, *that less labour must be expended in producing the machinery than is displaced by the employment of the machinery*. For the capitalist, however, this use is still more limited."² In capitalist production, this limit is set by the level of profit. The ratio

¹ Ibid.

² K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 392. Author's italics.—Ed.

between the labour spent on the production of machines and the labour displaced by them (which is the objective criterion of the limit to the application of machines) makes this limit extremely mobile. The greater this ratio, the more likely are enterprises to install new machinery.

The instruments of labour (and all the other means of production) in a socialist enterprise do not dominate the people engaged in the process of production, as they do in capitalist enterprises. The people are not living appendages of the instruments and means of labour. On the contrary, *the means of production are only the means and materials for the creative productive activity of all associated producers*. Modern production is impossible without combined, collective work, in the process of which all its participants use the means of production as co-owners. No single member of a society of joint owners could, even if he wanted to, use these means of production independently.

To ensure continuity of production, an enterprise must possess reserves of means of production. Means are divided into *fixed* assets and assets in turnover, the reserves of which (within the limits of the operational year) are not equally large. A comparatively large part of the reserves consists of raw materials. The reserves of these must always exceed the amount used by the enterprise in one cycle of production.

A definite amount of human labour is needed to set the means of production of an enterprise into motion. The *size of the labour force* needed by an enterprise is determined by the volume of its means, the planned volume of its output, and the period of time set for delivery of it. At a given level of labour productivity, an enterprise needs a labour force that can, within a certain time, productively consume a volume of means of production necessary to create a definite quantity of socially necessary output of a fixed quality.

This objective relation determines not only the required *basic* labour force and the required number of *engineers* and *technical* personnel (i.e., work organisers) but also the *auxiliary* labour force required. It determines, too, the number of *office employees* (accountants, book-keepers, filing clerks, etc.), whose labour, though non-productive, is needed by the enterprise. The enterprise distributes the labour force evenly among its departments, shops, sections,

teams, work places, and other divisions of the enterprise to correspond to the flow of the production process.

The ratio of the size of the productive labour force at an enterprise to the mass of the means of production set in motion by it is index of the *technological level of production* at the enterprise. The smaller (or larger) this ratio, the higher (or lower) the technological level of production.

Combining with the means of production, the labour force produces new output. In other words, the components of production are transformed into new forms at the enterprise. New products are either new means of subsistence or new means of production. Some products enter the sphere of individual, personal consumption, others re-enter the sphere of production. But either way, they become components of production again, directly or indirectly. These continuous, successive changes of form and sphere constitute the *turnover* of the productive assets of an enterprise—and ensure the continuity of its productive activity.

An enterprise demonstrates its ability to combine all the factors in production efficiently when it can work out for itself the technological processes it should employ; determine what technological equipment it requires, and what other necessary means of production and reserves it needs; and when it can decide on the correct pace of production, and knows how to make proper use of its fixed assets and assets in turnover. All these make up the main content of an enterprise's independent economic activity.

The law of the economy of labour expenditure at enterprises

Every workers' collective, though part of the single national economic whole, organises the fulfilment of its own plan independently. Bearing in mind the material interests of its workers, the enterprise cannot and must not tolerate any waste of material and effort, nor stoppages or other losses of labour time.

Material interests develop a natural striving for the most expedient, rational and thrifty employment of the labour force and means of production. In the practical operation of an enterprise, this striving may for a number of reasons be implemented in a distorted way, but what is important

is that it asserts itself as a general trend through the maze of obstacles and shortcomings.

With a view to satisfying fully people's needs, socialist society as a whole is interested in obtaining from the sphere of production the maximum amount of output with a minimum amount of labour expenditure per unit of output. An enterprise's plan is based on this principle. This objective need to correlate expenditures of labour with their results represents, as we have said before, the first economic law of the collective mode of production in general. In other words, the rational, thrifty use of labour, or the economy of labour time, is essential in all the activities of associated producers.

The economy of labour time is a law governing the economic activity of every workers' collective. With socialism (communism), this law is implicit in the domination of public ownership in the means of production. The mechanism of the operation of the law of labour time economy may be described schematically as follows. Producing a maximum of output with a minimum expenditure of labour per unit of output, a workers' collective secures for itself corresponding material (and moral) emoluments. This acts as a powerful stimulus in its own activity, and at the same time is a realistic means of advancing the economic whole. Therefore, in taking up the implementation of its plan targets an enterprise inevitably organises its activity in such a way as to ensure that in the process of the production of material wealth "nothing should be wasted" (K. Marx).

On a social scale, the operation of the law of the economy of labour time finds its main expression in the use of the labour force in a way that accords with the current level of development of production, and in the elimination of obsolete, routine working methods. On an enterprise level, these requirements of the law are expressed in the *rational distribution of the labour force among sections and work places, and in the use by every member of the collective of his labour time and abilities in the most productive way and in concerted interaction with the other members of the collective.* The law of the economy of labour time at enterprises also requires the full, rational use by every worker of the means of production set in motion by him, the completion by every worker of his assigned quantity

of articles of the stipulated quality, and the strict observance by him of labour and production discipline, the avoidance of losses, rejects, and so on. We thus see that the law of the economy of labour time operates *within the framework of the machinery with which the given enterprise is equipped (and orientates it on making the fullest use of available equipment)*—in other words, within the framework of the invariable technological structure of production, i.e., the invariable relation between the size of the labour force and the volume of the means of production it sets in motion. The moral and material rewards accruing to the working people depend on the realisation by workers' collectives of the requirements of this law.

Individual labour expenditure and quotas

In employing the labour force at an enterprise, the differences between individual workers have to be taken into account. These are differences in skills and abilities, in levels of development, attentiveness and application, etc. This poses the following question: should an enterprise be guided by the labour time expenditure of each individual worker? Obviously not, because then collective labour would become impossible.

This being so, what individual expenditures of labour time should be taken into account, should be "accepted", and expected from the members of a workers' collective? In short—those that are equal to the socially necessary labour time.

Only labour time, Marx noted, serves as a measure of the portion of the common labour borne by each and his share in the part of the total product destined for individual consumption.¹

This is an inevitable, objective result of the social nature of production in general and even more so of social production by associated producers. Since under socialism enterprises do not work for a relatively unknown market (as under capitalism), but for a market regulated on a social scale, they carry on their economic activity not spontaneously but in an organised, planned way, co-ordinating

¹ See K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 75.—Ed.

it with that of other enterprises, and mutually controlling all their activities, including their expenditure of labour time.

Naturally, an enterprise may spend an excessive amount of labour time on the production of this or that article, but socialist (communist) society cannot accept such expenditure because if it did, it would be unable to regulate the distribution of labour time on a social scale. Society can take into account only that expenditure of labour by an enterprise that corresponds to the established average socially necessary labour time for the production of a particular article.

For an enterprise to be able to function normally within the framework of a co-ordinated economy, i.e., to function as an economically independent part of the national economic whole, the enterprise must not spend more than the average socially necessary labour time per unit of its planned output. Only this labour time will be taken into account by society. This is a law governing the economic activities of every workers' collective.

The average socially necessary labour time needed for the production of a unit of certain product is a scientifically computed quota of labour expenditure. This *quota* is based on typical production conditions at existing levels of technological development and labour organisation. It is periodically amended to meet changed conditions. *Therefore, the quotas of labour time expenditure on the processing of the parts of the product being manufactured at the enterprise are the direct embodiment of average socially necessary labour outlays of an enterprise.*

Scientifically based technical and economic quotas, which are basic elements of the average socially necessary labour time, are uniform for identical conditions of social production.

In the fixing of technical and economic quotas account is taken of the type of production (individual, batch, mass), the degree of standardisation, the share of normalised parts in production, the unification of the technological process, the level of the worker's professional skills, and of a number of other factors determining the use of the labour force at an enterprise. Technical and economic quotas must be progressive. They should orientate the enterprise on the improvement of its technology and instruments of

labour, on the introduction of a rational pace of production, on conscientious work at every work place, on the efficient training of young workers and, in general, on the full and rational use of labour time.

Proceeding from the normal labour expenditure on the processing of an article, every enterprise and its every worker decide only their own share of the expended socially necessary time. The labour expended by preceding collectives and workers is not included in this share although everyone applies his labour to objects embodying previous labour (except, of course, in those cases where it is applied to objects of labour to which no labour has formerly been applied).

In taking account of the expenditure of living labour according to the above quotas, the embodied, past labour tells only if raw materials, implements of labour, auxiliary materials, power, etc., are used abnormally. A growth of unreasonable losses of embodied labour adds to the expenditure of living labour and this becomes clearly obvious when the total expenditure on the final product is calculated.

The introduction into production of scientific quotas of labour expenditure tends to make the expenditure of the enterprise approach the average social expenditure. The inevitable individual deviations from the average within the enterprise cancel one another out and make the average expenditure of the enterprise equal the average social expenditure.

Quotas are not constant magnitudes. They are revised when technological changes and changes in the organisation of labour take place, or when quotas are universally fulfilled and overfulfilled. When such revisions are made the *social* content of quotas becomes particularly evident. A quota is not only a technical concept but an expression of the co-ordinated interrelations of the associated producers at an enterprise. A quota is a concentrated expression of the social need for the rational use of labour by the members of a workers' collective.

The transition to new quotas requires the working out of organisational and technical measures for their introduction, and the renewed or revised training of workers, especially of young ones, to raise the skills, qualifications and know-how of all the members of an enterprise. In

the process of fixing and fulfilling quotas at the enterprise, the workers' collective acts as a body. In it, there are not, and cannot be, antagonists, people holding opposing interests. Coercive methods of introducing quotas are practised only in capitalist society, where the capitalists raise quotas and worsen the conditions of the workers. In a society of associated producers, the elaboration and introduction of new quotas is not the outcome of armchair theorising, and the quotas are not imposed coercively. Rather, it is a question of co-ordinating the efforts of all interested members of collectives, and is based on the realisation by all their members of the necessity for revising quotas, and on the participation of the workers in their elaboration and voluntary introduction in production.

The rating of labour is an important political question, affecting the interests of millions of people. The setting of production quotas must not therefore be approached in a bureaucratic way, but every worker of an enterprise must be drawn into it as a joint owner of the collective's means of production, as a participant in the joint labour carried on in the common interest. Needless to say, *new quotas must not worsen working people's conditions*; they must not, for example, impair their health.

It remains true that technical and economic quotas are still applied very irregularly in different economic regions and branches of production in the Soviet Union, within the branches and at enterprises. For various reasons, which we shall not look into here, so-called experimental-statistical quotas are widely used in the Soviet economy, which deviate considerably from scientific quotas. But this does not, however, belittle the fundamental significance of the latter. It can be said with every confidence that Lenin's behest about the scientific organisation of labour has lost none of its relevance today but, on the contrary, has become even more relevant.

"To learn how to work," Lenin wrote, "is now the main, the truly national task of the Soviet Republic."¹

Nowadays, to learn how to work means to learn how to work according to scientifically-based quotas. The more scientific quotas are introduced at an enterprise the more rationally is its labour power used. *The economy of labour*

¹ V. I. Lenin, *Collected Works*, Vol. 33, Moscow, p. 368.—Ed.

time consists first and foremost in commensurating its expenditure with scientifically based technical and economic quotas, in order to obviate excessive expenditure of living and embodied labour. This excess can violate the targets of the unified economic plan, which opens the door to the action of spontaneous forces in the economy.

The law of the expenditure of labour on the production of a unit of output within limits not exceeding the average socially necessary labour time reveals the "second layer" of the interrelations of producers in the process of production. The first "layer" manifested itself already in the law of the economy of labour time in its simplest form. Here we see the second stage or the second order of the essence of these interrelations, which are expressed in the law of the correspondence of the labour time expenditure per unit of output by the enterprise to the average socially necessary expenditure. The observance of such correspondence leads to an economy of labour time and furthers the possibility of producing a maximum of output with a minimum of labour expenditure.

The law of the steady rise in the labour productivity of enterprises

The economy of labour time is one of the most essential aspects of an enterprise's economic activity. But it is not exhausted by economies based on an unchanged technical composition of production, nor by ones made simply to meet scientific quotas. The highest and most dynamic forms of economy of labour time are increases in the labour productivity of workers and collectives.

This is a special stage—the deepest "layer" of the objective material interrelations of the associated producers at the enterprise. The rise in labour productivity expresses the natural, constant, firmly surviving requirement of the associated producers' activity with its special dependencies and causal interrelations, the aggregate of which forms *the law of the steady rise in labour productivity*.

The rise in labour productivity, being the deepest "layer" of the interrelations of the associated producers at the enterprise, naturally reflects also the relations of the preced-

ing "layers" as stages of the single essence of these relations, even though every preceding "layer" has its own causal interrelations and interdependencies.

By rises in labour productivity in general we understand increases in the output of products of the same (or better) quality per unit of labour time, achieved without stepping up the normal intensity of a worker's labour. Decreases in the total amounts of labour embodied in products indicate a growth of labour productivity. The *degree* of labour productivity is measured by the ratio of the mass of the means of production to the mass of the labour power working them.

Rises in labour productivity are achieved by various means: by raising workers' skills, by improving labour organisation, or the equipment of production, etc. But the most important means of raising labour productivity is technological progress. Increased labour productivity at an enterprise is, in modern conditions, manifested most clearly in the growth of the technical composition of production.

The growth of labour productivity at socialist enterprises derives from the increase in social labour productivity laid down in the national economic plan. This is, in fact, how national plans for the growth of social labour productivity are fulfilled. Therefore, at socialist enterprises, growth of labour productivity cannot be self-contained and isolated (as it is under capitalism).

However, centrally determined plans for the growth of labour productivity do not fetter the creative initiative of workers' collectives in this respect. A workers' collective participates actively in working out measures for raising its own labour productivity, and actively implements them (in conjunction with the appropriate design and construction organisations).

The national plan for increasing social labour productivity outlines plans for the building of new enterprises, and the reconstruction and expansion of existing ones (re-equipping them on the basis of the latest technological achievements).

Relying on the force of material interests, each enterprise works out its own plans for the growth of its labour productivity (plans for organisational and technical measures or plans for the technological development of the enter-

prise). These plans are handed down to every workshop, team and bench.

Not only the engineers and technicians of an enterprise participate in drawing up its plans but rank-and-file members—production innovators, rationalisers, inventors—all those who can add even a grain of progressive experience, take part too. The realisation of plans presupposes a deep mastery of progressive know-how by all the workers of an enterprise. N. M. Kuzmin, a turner at the Moscow Krasny Proletary Works, reported to the April (1963) All-Russia Meeting of Industrial and Construction Workers the growth of labour productivity at his works, emphasising the creative participation in it of the whole collective. "The whole collective participated in a review of the organisation of labour at every bench. The more than 2,000 proposals collected were included in the plan of organisational and technical measures."¹ He also noted the concern of the collective for ensuring "more creativity at every bench".² To raise labour productivity, an enterprise can draw on the achievements of other enterprises in its field. As a result of exchanges of information, the experience of one collective is put within the reach of others. In a socialist (communist) economy there are not and cannot be production secrets. On the other hand, an enterprise, in its capacity as a consumer of output can insist that the supplier enterprise look for methods of improving the quality of its goods since the higher their quality, the higher the labour productivity at consumer enterprises. It can be seen, therefore, that the relations of the associated producers at an enterprise (expressed in the steady rise of labour productivity), because of their socialist content, transcend the framework of the individual enterprise.

Labour productivity in basic production rises mainly as a consequence of improvements in technological processes themselves and in the mechanisation of labour. These include: measures for improving the use made of the instruments of labour and all other means of production, including the specialisation of equipment; increases in the speed of operation of machinery and its modernisation; the

¹ "All-Russia Meeting of Industrial and Construction Workers", Abridged Stenographic Report, Russ. ed., p. 214.—*Ed.*

² *Ibid.*, p. 216.

mechanisation of arduous and labour-intensive operations; the introduction of new methods and means of processing materials (particularly chemical methods); decreases in production waste; the development of production line methods; improvements to the design of manufactured articles, etc. The most effective and comprehensive way to bring about such improvements is to specialise enterprises, so that they can take up mass production and even automated production, which hold out the prospect of constant and rapid growth in productivity.

The implementation of measures aimed at raising the labour productivity of enterprises is a complex process. It does not embrace only separate production sections or work places, but takes in the whole enterprise. It is a process of triggering off a chain reaction. The implementation of measures to raise productivity in one section or in one operation inevitably creates the need to carry out similar measures for others, to make them correspond with the first. Failure to do so would upset the necessary proportionality between the parts of the production process. Especially intolerable is the use of manual labour in machine production where the use of machines is possible. The productivity of manual labour is always much lower than that of mechanised labour, inevitably lowering the level of the labour productivity of the enterprise as a whole.

Basic production is the foundation of the enterprise, but all the auxiliary services and operations, such as inter- and intrashop transport, repairs, etc., are all also fundamental to it. Nevertheless, the greatest part of the labour force of the enterprise should naturally be the basic labour force (including the engineering and technical personnel in the necessary proportions), and the smallest part should be the auxiliary labour force (including office employees). But at many Soviet enterprises the proportion of auxiliary workers is still high, which indicates that auxiliary work is insufficiently mechanised and automated. The high "specific weight" of the auxiliary labour force lowers the average level of labour productivity at the enterprise. Then, too, office personnel increased out of proportion will lower profits.

Naturally, with the introduction into production of more and better machines the amount of embodied labour involved in production grows, while that of living labour

falls. Machines are becoming more and more complex and their dimensions are growing. In automatic production a single machine may attain the size of a large shop and even of a whole enterprise (an automatic factory). The overall labour expenditure on the production of machinery is growing. Growth in the productivity of machinery increases the mass of the raw and other materials processed by it and this too increases the share of the embodied labour at the enterprise. The overall scale of production inevitably grows too. Yet, in spite of all this the *total amount of labour embodied in the final product must decrease*, for only then can the use of machines be economically rational, and contribute to the growth of labour productivity.

Since the proportion of embodied labour used in production steadily increases, in order to make sure that the overall amount of labour contained in a product decreases, the decrease in the proportion of living labour must, as has been aptly noted by Marx, exceed the increase in the share of past labour. However, this does not mean that the quantity of embodied labour contained in each unit of output grows absolutely.

We can say that the growth of labour productivity through the introduction into production of better machines lowers in absolute terms both the living and embodied labour per unit of output. Each unit of output, Marx said in this connection, "absorbs less living labour, and also contains less materialised labour, both in the depreciation of the fixed capital applied and in the raw and auxiliary materials consumed".¹

Of cardinal importance to the enterprise and notably to its pace of production is the *number of machines and machine-tools available to the labour force*. The greater the number of machines operated by a single worker, the higher their productivity (measured as the difference between the labour spent on their own production and the labour displaced by them); and the more raw and other materials are processed in a unit of labour time, the more output is produced.

In current production practice only the availability of power to labour is used as an index. But this index is, really, insufficient, because it embraces only one category

¹ K. Marx, *Capital*, Vol. III, Moscow, 1966, p. 226.—Ed.

of the machinery available to labour and therefore does not give an entirely accurate indication of the level attained by the productive power of labour.

The amount of machinery available to labour at an enterprise (which includes the availability of power and processing machines to labour, and also the mechanisation of administrative labour) is, however, an accurate index of the enterprise's productivity. This index gives the fullest expression to the ratio of the mass of mechanical workers (that is the mass of labour replaced by machines) to the mass of living labour setting them in motion. The more the numerator exceeds the denominator, the higher is the productivity of living labour (naturally, at a corresponding average level of workers' skills). Changes of this ratio reflect the changes in the technical composition of production at the enterprise and express its technological progress.

The provision of material and moral incentives is a powerful lever for raising labour productivity and for introducing and developing new technology at the enterprise. The realisation of the objective demands of the law of the steady growth of labour productivity at relatively high rates at the enterprise finds expression not only in the planning of this growth, but also in the material and moral stimulation of the working people (with a view to achieving higher productivity). Naturally, increases in individual consumption by the members of a collective (or increases in the wages fund) cannot be equal to the growth in their labour productivity. The former must be considerably smaller, otherwise there could be no increase in the surplus product needed over and above individual requirements by the enterprise and by society to satisfy general requirements.

For an enterprise to be able to offer material incentives, it must have a special fund—which can and must be formed out of the results of its work. In keeping with the decisions of the September (1965) Plenary Meeting, a material incentives fund is now formed at every enterprise out of its profits and other resources. The more successful the work of each individual worker, the more rewards he receives. The more perfect the system of rewards, the more intense the productive activity of the workers.

**Surplus product [profit]—the criterion
of an enterprise's performance**

How are we to measure the success of the work of enterprises? The results of the activity of a workers' collective can be evaluated only by the *degree to which it fulfils its plan-targets*. The fulfilment of its plan is the first and main task of a socialist enterprise. Its second task is the overfulfilment of its plan. But overfulfilment is not necessarily a good thing. For example, at a time when a change-over is being made from the production of some outmoded articles to the production of new ones, it will at best be rational for enterprises still producing the old type of articles only to fulfil their plans and certainly not for them to overfulfil them. So, the primary criterion for the successful performance of an enterprise is the simple fulfilment by it of its plan targets.

Formerly, gross output was taken as the principal indicator in the fulfilment of the plan. Gross output was measured not only by its value but by its physical volume. Enterprises which were, so far as their gross output went, fulfilling their plans, were considered to be operating successfully. But as time passed it appeared that this method of evaluation often conveyed a wrong impression of an enterprise's economic activity. Many enterprises which fulfilled and even overfulfilled their plans according to gross output (or tonnage, as it was called) did not always operate successfully. This fulfilment of the plan according to tonnage, for example, was achieved by a number of enterprises by manufacturing heavy rather than labour-intensive articles, often involving into the bargain a narrowing down of the variety of the goods they produced at the expense of articles badly needed by the country. Again, the fulfilment of a plan according to the number of pieces produced, was often paralleled by a lowering of the quality of the output. At the same time an enterprise which worked really well, as in the case of the Electric Bulb Plant that produced bulbs of a high quality, but in doing so did not fulfil its plan for old and worse kinds of goods, was considered inefficient, even though it turned out more goods than it had in preceding years.

All this could not but lower the sense of responsibility

of enterprises, suppress their productive initiative, and tell on their material interest in production. It became "profitable" for many enterprises to accept plan targets that were far below their real possibilities, to conceal production reserves, to ignore the real needs of society and to produce not new but old kinds of output—the production of which they had already mastered and with which they could easily make a good profit.

The Soviet Union's economic development forged steadily and rapidly ahead in spite of these shortcomings (demonstrating its supremacy over capitalism), yet the real production possibilities of many enterprises were not used rationally. This naturally evoked the concern of the associated producers in their capacity as co-owners.

In the period of the all-out struggle of the Soviet people for the quickest possible attainment of abundance, it became clear that many of the plan indices that used to be included did not make it possible to give a proper and full evaluation of the work of enterprises, did not encourage the most effective deployment of capital investments and fixed assets, the lowering of costs, the growth of labour productivity, improvements to the quality of goods, and the production of goods of the necessary variety.

In accordance with the decisions of the September (1965) Plenary Meeting of the CC. C.P.S.U., the number of indices to be laid down by superior bodies has been decreased in the interests of expanding an economic independence of enterprises. The outwardly "technical" aspect of the problem of plan indices conceals fundamental questions of economic life, questions relating to the acceleration of the country's economic development.

In thinking about criteria for the objective evaluation of an enterprise's work, we have asked ourselves first of all, how are we to understand fulfilment of plan targets? Outwardly it means that a plan is fulfilled according to all indices—variety, quality, volume, terms of delivery, etc. Yet, in spite of the enormous significance of this outward expression, the work of an enterprise as a whole cannot be evaluated completely by these indices alone. Targets can be fulfilled to varying degrees. Besides, since a certain part of the results of a collective's activities depends on its own efforts, while the other part depends on circumstances over

which the collective has no control, it is necessary to establish that ratio before a correct evaluation of the collective's performance can be made.

Even under full communism, the associated producers will satisfy directly individual requirements by their necessary labour and general requirements by their surplus labour. During the labour process they will continue to transfer the labour embodied in the means of production being used by them to the output they produce.

The working day is made up of two parts—the necessary and the surplus labour time—but the results of work (finished goods) embody not only living but embodied labour, and are therefore objectively made up of *three parts*—the part embodying the necessary labour spent in their production, the part embodying surplus labour (the surplus product), and the part materialising the embodied labour consumed in production, that is, the labour embodied in the consumed means of production.

The surplus product is an increment over and above the means spent by the enterprise and is called *profit*. Only if all these composite parts are present can production be renewed and expanded. True, we have to make the following proviso—the renewal of production is possible also without profit. But *extended* production and the satisfaction of the various needs of all members of society (maintenance of the incapacitated, social and cultural requirements, etc.) is effected at the expense of profits. The labour of every workers' collective and its every member must supply society with a quantity of products that exceeds that needed to cover both direct individual consumption of means of subsistence and consumption of means of production by the collective in the process of labour.

If an enterprise fails to make a profit, this not only arrests its own development but in the last resort that of society as a whole, too. Losses represent stagnation, which is tantamount to regress. Without surplus product, socially necessary reserves (including reserves at enterprises) cannot form, nor can there be any socially necessary accumulation, i.e., any expansion of production.

It follows that the *fulfilment of a plan consists in the creation of a surplus product (profit)*. Without profits, plan targets cannot be fulfilled, even if output is produced in the

necessary quantities and assortment, and on time. Such failures always result whenever the amount of living and embodied labour spent by a workers' collective on the articles it has to produce exceeds the socially necessary labour.

When an enterprise makes a profit, this shows that it has covered by its labour the direct individual needs of its workers, and compensated for the embodied labour it has spent on production, and that it is able to contribute to the country's social funds (and its own). Since profit is that part of its output that remains after the part going to satisfy the individual needs of its members, and the part compensating for the means of production used by it, have been deducted, it is the net result of a given collective's labour. It reflects the degree to which its economic activity is rational and correct. Therefore, *profit is the best criterion of an enterprise's entire activity, and can be used as the basic indicator of its performance.*

Enterprises do not consider the making of profit an end in itself. It is a means of the self-appraisal of their economic activity and a means of enabling society to evaluate it.

We must suppose that enterprises produce output of high quality and definite utility. This is a sine qua non of economic activity. *The lowering of the quality of output is tantamount to loss of utility, and hence to failure to meet plan targets.* Enterprises which fail in this respect become "sick" organs of the economic organism needing, as Lenin advised, "obligatory treatment". But we are speaking of enterprises which function normally.

An enterprise generally produces some articles that are not used for production purposes at the enterprise itself and which do not satisfy any individual needs of its workers directly. These are articles designed for other enterprises—which supply various products in return on the principle of equivalency. If this exchange did not take place, new production would be impossible. Therefore, *profit is an indicator of an enterprise's successful performance only if it does not remain in the form of a dead stock but is put to use by society.* It is the use of profit that testifies to the successful work of an enterprise. Sometimes surplus product that simply lies without movement (in an enterprise's warehouses, for example) becomes useless because it is

needed by no one, and the labour spent on its production then becomes so much wasted labour.

The ratio of the surplus product to the sum of the other two parts of the total output (the necessary product and the product compensating for consumed means of production) is called the *increment*, or the *degree (rate) of profit*. This means that *the greater the surplus product created by an enterprise and used by society, in relation to the sum of the other parts of the total product, the higher, all other things being equal, is the rate of profit of the enterprise, or the degree of its profitability.*¹

Profit is a category expressing in a general form the degree of the successfulness of a collective's joint work in fulfilling its plan. Therefore, *profit is an indicator in money terms of the successfulness of the economic activity of a collective as a whole, and the main criterion for the appraisal of its performance.*

Of course, no member of the workers' collective can determine by any outward sign what part of the working day is used up in creating the necessary product (that embodying the necessary labour time), and what part in creating the surplus product (embodying the surplus labour time). Nor can anyone discern how much of the total output of an enterprise embodies necessary labour, how much compensates for embodied labour, and how much materialises surplus labour. This can be done only by carefully analysing the division of the total product into these three parts and by discovering their relation and, hence, the rate of profit at the enterprise. The understanding by every member of a workers' collective, as a co-owner, of the meaning of the profit indicator, and of the ways of increasing it, is extremely important to improving his own performance and that of the whole enterprise.

The category "profit" under socialism differs radically from profit under capitalism. In capitalist society, profit is a spontaneous phenomenon—it is the camouflaged unpaid

¹ We shall not look into the question of the redistribution of the surplus product of socialist enterprises. At this stage of our study, we can assume that the whole surplus product of the enterprises becomes profit. It should also be noted that we are not discussing the national income (consisting of the surplus product of society as a whole expressed in terms of value) but only the profits of *individual enterprises*.

labour of exploited wage-earners appropriated by the capitalist. Profit is the basic motive of the economic activity of every capitalist.

But under socialism, profit is the increment in output that (according to the amount of labour embodied in it) goes to (a) compensate for consumed means of production, (b) to satisfy the direct individual needs of the members of a collective, (c) to the accumulation of necessary reserves and (d) the formation of the material basis for the expansion of production. Profit therefore serves as an indicator of the success of joint productive work within the framework of each enterprise. In the final analysis, *profit shows how successfully a given collective participates in ensuring the growth of output required to ensure the welfare and all-round, free development of the personality of every member of the society of associated producers.*

That is why economists who ignore the different social meanings of the category of profit under socialism and under capitalism commit a grave error. They belittle the importance of the category of profit for appraising the degree of the success of an enterprise's work. Within the framework of the entire socialist system, profit as an economic category does not play as important a role as it does under capitalism. But within the framework of the single enterprise (or association of enterprises) profit is crucially important as an economic indicator.

Some people criticise the indicator "profitability of a socialist enterprise". They assert that there is no difference between the profit of a socialist enterprise and capitalist profit. They speak, without taking the trouble to furnish proof, of a replacement of the principles of socialism by the principle of the search for profits—and, hence, of a transition to a policy of "liberalising" the economy and the degeneration of socialism into capitalism. There is, however, no point in disproving these demagogic fabrications. This is done successfully by the growth of socialist production and the steady advance of socialist society towards communism.

Lenin consistently emphasised the importance of profit as an indicator, demanding that enterprises should not only work without losses but that they should also yield a profit. However, for a long time this indicator did not receive the necessary attention. But now, while reinstitut-

ing Leninist principles of economic management, the C.P.S.U. is restoring the Leninist view of the significance of profit as an indicator of the successful operation of an enterprise.

Value form of profit

Socialist society generally measures its labour expenditure not directly in labour time, but indirectly through the intermediacy of value. The profit of enterprises is also measured in terms of value. This means that the expenditure of social labour expressed in profit (as in value in general) takes no account of the use-value it creates. As regards its economic nature profit in socialist society is the value of the surplus product, as correlated to the value of the fixed assets and assets in turnover, which the enterprise spends on the production of its planned output.

In practice, profit is determined in two ways: a) as the difference between the prices and the costs of manufacturing products ("total profit"), and b) as the difference between social and individual costs ("partial profit"). The indicator "total profit" has certain advantages over the indicator "partial profit". First, it gives a fuller picture of the final results of an enterprise's work, since it reflects both sides of the effect that the law of value has on production—the deviation of individual values from social values, and the deviation of prices from values. Second, as the simple difference between the results of production and the outlays of the enterprise, it is easy to compute. At the same time, this indicator can be correct only if prices reflect socially necessary expenditures, or if the inevitable gap between prices and values is taken into account when the performance of an enterprise is evaluated. At present, fixed prices take account not only of production costs but also of a number of other factors which do not depend on the efforts of enterprises. The immediate result of this is the chequered pattern of profitability of enterprises throughout the country's industry.

For the indicator "total profit" to be extensively used prices must more closely approach values, i.e., socially necessary expenditures of labour, and must take into

account unequal material production conditions in different enterprises (differences in natural conditions, in the availability of fixed assets, etc.). This question of the approach of prices to values—which, as we have seen, is necessary for the correct reflection in profits of the activities of enterprises, and for the regulation of the level of their profitability—has been widely discussed by the Soviet public. This is one of the reasons for the introduction of a charge for the use of assets by enterprises.¹ But unless prices are made to correlate to values more closely, profit as an indicator is distorted, and needs correction.

However, the final results of a collective's work are not characterised *only* by the profit indicator. Since an enterprise produces commodities, it creates not only value, but also use-value. Under socialism, the importance of the use-value of a commodity is far greater than it is under capitalism. The objective aim of socialist social production is the complete welfare of all the members of society and, hence, the full satisfaction of their needs (among others) for concrete products, things. Therefore, there is another indicator of the successfulness of an enterprise's work in a *physical* form, in the form of the surplus product—what is left over after the output going to compensate for the enterprise's outlays has been deducted. Let us call this (surplus) product "profit in physical form". But singling out from the mass of the output produced by an enterprise that part embodying the surplus product (the increment, and in this sense the profit) is extremely difficult. A simpler indicator is the degree to which plan targets are fulfilled in volume and types of output—both as regards what is produced and what is sold. This is a very important indicator.

It is possible to assess the activity of an enterprise from the point of view of the use-value of its output only at a branch level, since physical indicators can really be determined only for homogeneous outputs, and must take due account of the special characteristics of the branch of

¹ With a view to making enterprises interested in increasing the size of their profit per ruble of productive assets, the September (1965) Plenary Meeting of the C.C. C.P.S.U. recommended introducing a charge for the use of fixed assets and assets in turnover placed by the state at the disposal of enterprises. These charges take the form of reductions from the profits of enterprises.

production to which they apply. Physical indicators are applicable in economic calculations only in conjunction with *general* economic indicators which characterise effectiveness of production in terms of value irrespective of the branch of production.

Thus, under socialism there are two basic indicators corresponding to the two sides of commodity production (as against the single indicator of profit under capitalism). They supplement each other and jointly give a true indication of the success of a workers' collective.

But profit is not only an indicator of the effectiveness of an enterprise's performance; it is also a source of *stimulation* for its activity. An enterprise remits to the state a previously determined proportion of its profit for national economic needs. The remaining profit is divided between the part intended for the capital needs of production (for modernisation and additional capital investments) and the part earmarked for individual and collective incentives, or *the material incentives fund*. The size of its material incentives fund therefore depends on a collective's performance, i.e., on the size of its profits. In practice, there are many special bonus funds. Owing to their multiplicity they can sometimes interfere with a collective's unity of action and impair its performance. The percentage of profit to be channelled to the material incentives fund is decided in each case by the concrete conditions of the enterprise, and by the state and level of development of the national economy.¹

¹ Even before the September (1965) Plenary Meeting of the C.C. C.P.S.U., a great number of Soviet economic writings were dedicated to the question of the effectiveness of the work of enterprises and to its stimulation. Many concrete proposals were advanced.

Articles by Professor E. G. Libermann, Academician V. A. Trapeznikov, M. Tabeyev, M. Sc. (Econ.), et al., were widely discussed. In particular, Professor E. G. Libermann proposed that the formation of the fund for stimulating production should depend on the degree to which the enterprise fulfils long-terms quotas, the best indicator of which is profitability, that is, profit calculated as a percentage of the value of productive assets. The author agrees that the adoption of this principle will promote a rapid upsurge in production through the introduction of new equipment and new technology.

No *single* economic index can be used to appraise an enterprise's economic activity. Objective scientific conclusions about the results of a production collective's performance can be drawn only after an exhaustive analysis has been made of a number of organically interlinked indicators. In addition to the basic indicators—the branch (physical) and general economic (value) indicators—accounting and analytic indices must also be worked out by enterprises (who bear responsibility for all plan parameters). Needless to say, higher planning bodies must take these accounting and analytic indices into consideration, and must possess for this purpose instruments of planning (including mathematical-statistical ones) which enable them to group enterprises, to compare their indices, analyse their productive and economic activity, and in general to control their work and to outline to them the most correct lines for their further development in the threefold interest of society.

The principle of democratic centralism helps to determine directions for the improvement of economic management because it takes full advantage of both centralised planned production management and local economic initiative.

Some economists doubt that the granting of extensive operational and economic independence to production collectives can improve co-ordinated economic activity. In fact they believe that the opposite is the case. They maintain that the granting of such independence to enterprises will lead to a minimising of plans, to an underutilisation of productive capacities, etc. Is this really so? The fact that incentives granted to enterprises come out of their own profits, that is, depend on their own activity, must surely dispel such doubts. To receive higher incentives, enterprises must attain high profitability by putting their productive capacities to the best use. This is in the common interest and helps the entire economy.

There must, of course, be a stable system of relations between enterprises and administrative bodies. The achievements of enterprises should have positive effects on their activities beyond the end of any one planned year, and should form part of the basis of the plans and targets of following years.

Long-term quotas may become very important in this connection. The March (1965) Plenary Meeting of the C.C. C.P.S.U. recommended the fixing of stable targets for purchases of agricultural products for a period of five years. Output over and above these targets or quotas will be purchased at higher prices. This should create a sound basis for the long-term development of farms and should make them interested in raising yields and improving their fixed assets.

The application of this idea to industry involves working out profitability quotas and scales of incentives to cover at least the span of time for which long-term plans are drawn up. Charges for the use of assets,¹ planned prices for basic commodities and systems of gliding prices to reflect the quality and/or novelty of articles are all essentially long-term quotas.

Enterprises must be aware of their long-term prospects. This awareness should result in planning according to the principle: what is profitable for society as a whole, must become profitable for every workers' collective and their every member.

* * *

These are some of the economic laws of the sphere of production and of its fractional parts (enterprises) under socialism, as studied in the methodological aspect. It should be repeated here that these laws were looked into in the most general outline and that this investigation does not exhaust the wealth of their causal connections and interdependencies, the further analysis of which, in their unity and multiformity, should become the subject of further studies.

¹ The September (1965) Plenary Meeting of the C.C. C.P.S.U. pointed out that the charge for the use of the productive assets will be fixed for long periods. The charge will be levied only after the period provided by the plan for the mastery of newly introduced capacities has expired. In future, the charge for the use of assets will become one of the most important channels through which revenue will flow to the budget.

Chapter Four

SOME ECONOMIC LAWS OF THE WORLD SOCIALIST ECONOMIC SYSTEM

Now that there is a world socialist economic system, it is necessary to determine what its economic laws are. The novelty and complexity of this task, and the fact that the new economic system is being interpreted in a distorted way—that current anti-Marxist conceptions picture it as an arithmetic sum of the separate countries composing it, in varying stages of socialist construction, and united only by their common political tasks in the anti-imperialist struggle—makes such a Marxist-Leninist study vitally necessary.

The first question that arises in this connection is whether or not there can exist international relations of production, particularly socialist ones. Marxist-Leninist political economy gives a scientifically-substantiated positive answer to this question.

International relations of production

As a form of the development of the productive forces of society, the relations of production of every economic formation constitute a single entity. Yet there are differences in this unity. It is the job of political economy to study the specific connections between these separate and different parts—the links that determine their unity.

International economic links developed naturally from the needs of modern productive forces. As capitalism grew there emerged national economies and markets within state boundaries. But the nature and needs of modern large-scale machine industry have outgrown the framework not only of local but even of national markets; they have

evolved the need for a single world market, and have created one. International economic ties have become essential to the very existence and development of each and every country.

The powers of production and consumption of single countries are now insufficient to ensure the normal development and economically effective functioning of modern large-scale production. Some branches of production today, if based only on domestic markets, would not function properly, even in countries having very great material and human resources. This is particularly true of such branches as electronics, the aircraft and motor industries, the chemical industry, the atomic industry and some others. Their profitable working requires not only factories with sophisticated equipment, but whole series of associated branches, and a market large enough to absorb their output. This is beyond the power of most individual countries. Even such economically advanced countries as Britain, France and West Germany are compelled to co-operate in the production of some types of aircraft, rockets, atomic equipment, etc.

Modern large-scale industry demands that the forces and means of practically the whole world be mobilised consciously in a planned way and that there be a corresponding planned division of labour. It is this demand of the developing productive forces that creates the need for the eventual transition of human society to the *international socialisation* of all means of production in the interests of all countries, that is, to communism. This is the objective trend in the development of mankind's productive forces on a global scale.

International relations of production are nothing but historically determined forms of the international division of labour, and represent a stage in the development of a single global economy and the forms of economic relations between countries corresponding to it. International relations of production—creating stable, objectively necessary economic ties and a definite division of labour between countries—draw the latter out of their local seclusion, and so accelerate universal progress.

International relations of production are composed of the same elements as the relations of production within the countries involved, and always assume the same historically

conditioned form. Capitalism, for example, develops international economic relations of a capitalist character. The exploitation of hired labour, the contradiction of social interests, the spontaneous division of labour and the competition within each country are all reflected in the contradictions between the national interests of the economies of separate states, in the spontaneous division of labour between them and their spontaneous competition, and in the exploitation of dependent peoples by dominant countries (notably by means of non-equivalent exchange of commodities). The rule of monopoly capital within countries determines the rule of monopoly capital and of its interests in international economic relations too. The economic and territorial division of the world takes place in the interests of monopoly capital, on the basis of the balance of forces between the imperialist powers and their monopoly groupings.

International relations of production, once they emerge, acquire a certain independence and exert an enormous influence on the internal economic development of the countries drawn into their orbit. In the capitalist world this intensifies the unevenness of the development of different states: some countries outstrip others (a situation fraught with danger), there emerge ruling and subordinate countries, and the latter become, in one way or another, dependent on the former. This essentially coercive process has produced a spontaneous international division of labour under which the world is divided into industrially advanced countries and weakly developed countries, and under which the backwardness of the latter is being perpetuated. Thus the objective tendency towards the creation of a single global economy, towards the world-wide socialisation of production, takes this contradictory form under capitalism, a form rent by violent conflicts. This, in general outline, describes the capitalist economic system and its international economic relations.

The October Socialist Revolution put an end to the undivided rule in the world of the capitalist system of economy. Then, when socialism transcended the borders of a single country, there emerged a *world system of socialist countries*. Social ownership of the means of production dominates in these countries, the exploitation of man by man and national oppression have been abolished, co-ordinated

planned economic management has been established, distribution is effected according to the quantity and quality of labour, and other socialist principles of economic management have been introduced. International economic relations have taken shape in accordance with the character of the relations of production in each country. They cannot be similar to capitalist relations, since these have been shaped spontaneously through competition, i.e., in accordance with the economic powers of individual countries—and have led to the economic and territorial division of the world among the most powerful nations. Understanding their common interest in socialist construction, the socialist countries, irrespective of the levels of their economic development and their economic potentials, are interested in maintaining mutual economic and political links on a *basis of equality*. They provide for *voluntary, co-ordinated, planned co-operation* and, hence, for a *conscious division of labour* and for *comradely mutual assistance*—which guarantees that the *backwardness* of less developed countries is gradually *overcome*, that their levels of economic development are *evened out* and reach the *level* of the most advanced, and that there is an enormous *growth of the productive forces* in all the socialist countries. Their relations are a direct stimulus to their ever closer economic consolidation and *ultimately* to the union of their economies into a single whole. In these relations there is a clear-cut tendency “towards the creation of a single world economy, regulated by the proletariat of all nations as an integral whole and according to a common plan. This tendency has already revealed itself quite clearly under capitalism and is bound to be further developed and consummated under socialism”.¹

Of course, a single world-wide socialist economy cannot be brought into existence overnight: it does not emerge together with the formation of the world socialist system. It is only a dominant *tendency*, asserting itself through a maze of obstacles. “Such a union,” Lenin said, “cannot be effected at one stroke; *we have to work towards it* with the greatest patience and circumspection, so as not to spoil matters and not to arouse distrust, and so that the distrust inherited from centuries of landowner and capitalist oppres-

¹ V. I. Lenin, *Collected Works*, Vol. 31, Moscow, p. 147.—Ed.

sion, centuries of private property and the enmity caused by its divisions and redivisions may have a chance to wear off."¹

The very essence of socialism ensures the ever fuller manifestation of this tendency in forms that coincide with the genuine interests of the peoples. On the one hand, the socialist system greatly increases the objective need for the economic consolidation of national economies; and on the other, history for the first time creates all the conditions for the consistent satisfaction of this need, for the creation of a "single world co-operative" (Lenin). Socialist revolution and socialist construction comprehensively transform the interconnections of social production that have formed spontaneously under capitalism, and make possible what Marx and Engels described as "*the control and conscious mastery* of these powers, which born of the action of men on one another, have till now overawed and governed men as powers completely alien to them".²

In a certain sense the economic relations between the national republics of the U.S.S.R. are a prototype of the single world co-operative of the future. The borderlands and colonies of tsarist Russia, which before the revolution were backward in comparison with the central regions, have become powerful industrial-agrarian republics under socialism dividing their labour in the interests of the entire country. They co-operate and render each other fraternal assistance, and they fully control their own relations of production.

Obviously, the making and development of this qualitatively new kind of international relations of production was fundamentally opposed to capitalist international relations. Nevertheless, the emergence of the world socialist system did not by any means signify that all connections were broken off between capitalist and socialist economies. In spite of irreconcilable contradictions, such connections are objectively inevitable. No country in the world can exist without international connections, not even countries with opposing socio-economic systems. Because of this, ideologists of capitalism attempt to deny that there exists an

¹ V. I. Lenin, *Collected Works*, Vol. 30, Moscow, p. 293. Author's italics.—Ed.

² K. Marx and F. Engels, *The German Ideology*, Moscow, 1964, p. 49. Author's italics.—Ed.

independent socialist world economic system, or that the international economic relations created by it are in fact new. They attempt to squeeze these relations into the pattern of domination and subordination familiar to them, alleging that the People's Democracies are satellites of the U.S.S.R. It would be a waste of time to expose these slanders now, since events and the whole course of historical development have disproved them and have shown that the union of the socialist nations is voluntary and rooted in their fundamental interests. "The interests of labour," Lenin noted, "demand the fullest confidence and the closest alliance among the working people of different countries and nations."¹

The world system of socialism enables the socialist countries to withstand all imperialist attempts (including those by force of arms) to impose upon them the oppressive relations that are normal to capitalism. The imperialists want to gain their ends by attempting to isolate individual socialist countries from the socialist community. In recent times these attempts have taken the form of bans on the sale of certain commodities to the socialist countries, refusals to grant them commercial credits and similar discriminatory measures. On the other hand, they have conducted a specially favourable economic policy towards some selected socialist countries. This has been and is still done (and may be done in the future) with a view to tearing this or that country away from the socialist community. At one time Yugoslavia was in such a position. The joint struggle of the socialist peoples against all attempts of international capital to restore its omnipotence in the world, and their mutual assistance in the building of socialism, gradually establishes the trust between socialist nations necessary for their close union. "This common fight," Lenin said, "will clearly show in practice that ... there must be a close military and economic alliance ... for otherwise the capitalists ... will crush and strangle us separately."²

Basing themselves on historical experience, on the laws of social development and the fundamentals of the Marxist-Leninist teaching on proletarian internationalism, Commu-

¹ V. I. Lenin, *Collected Works*, Vol. 30, Moscow, p. 292.—*Ed.*

² *Ibid.*, p. 296.

nist and Workers' Parties stress the need for the further consolidation of the world socialist system, for the all-round development of the links between the socialist countries, for the deepening of the international socialist division of labour. This was stated, in particular, in the 1957 Declaration and the 1960 Statement of the Communist and Workers' Parties. But while relying on the world socialist system, socialist countries enter into economic relations with capitalist states, relations based on peaceful co-existence and economic competition between the two systems. They preserve the Leninist principles of monopoly in foreign trade, the equality of all countries, and the non-allowability of discriminatory terms of trade.

The existence of an aggressive world capitalist economic system cannot fail to leave its mark on the development of the world socialist system. The process of re-structuring international economic links of countries joining the socialist community, links originally formed spontaneously in the capitalist past on the basis of relations of domination and submission, is undoubtedly a difficult and sometimes even a painful process.

Coexistence with capitalism is not the only factor responsible for the complexity of the development of international socialist economic relations. Differences in the levels of countries entering into socialist relations and the different degrees to which they have overcome the main internal danger—petty-bourgeois individualistic elements—are also big factors. Petty-bourgeois vestiges foster reactionary nationalist views and the mistrust, conservatism and other negative traits that go with them. The petty bourgeoisie as a class promotes the emergence of revisionism and dogmatism.

In their attacks on the operation of socialist principles in international economic relations, revisionists and dogmatists adopt positions that are very close to those of bourgeois theoreticians. For the sake of the purely temporary interests dictated by market conditions (and sacrificing the fundamental interests of socialism) revisionists want socialist countries to establish unconditionally spontaneous competitive international relations with the capitalist countries and with one another. Some revisionists deny that socialist countries need to follow a general policy of monopoly in foreign trade. Dogmatists, on the other hand, demand that

there be autocratic control of trade, and hence a restoration of local insularity and narrow-mindedness.

The international division of labour among the socialist countries and their co-operation in production should not be set up in opposition to the principle of each country making the fullest use of all its internal resources. International division of labour presupposes the maximum use by each country of its internal resources. And this is all the more possible when the economic efforts of socialist countries are united and the international socialist division of labour is organised according to plan. Only when practice is based on the understanding of the organic unity or interconnectedness of the various aspects and different regions of socialist construction can the best results be obtained.

Clearly, all nations should utilise their internal potentialities to further the cause of the revolution and socialist construction. That is common sense. But it is not the most important thing. The main thing is to take into account the present stage of the development of world socialism, and to employ to good effect the advantages of this new stage. It is necessary to consolidate the socialist community, to accelerate the solution of the national tasks of socialist construction, and in general to reinforce the positions of the entire system. At the new stage of development, internal possibilities can assert themselves fully and effectively only when the efforts of all fraternal countries are co-ordinated and united in all fields of socialist production.

The most basic, objective economic processes of socialist countries find expression in their tendency to move closer and closer together, a trend which will ultimately lead to the formation of a single world communist economy. The theories of some economists ignore these decisive, deep-going processes. Their theories advocate closed national economic complexes. Against the joint control and conscious rule of people over their international economic relations, they want these relations to be limited, and they want to preserve a certain arbitrariness in the methods by which they are formed. In this dogmatists see eye to eye with the revisionists.

Propagandists of these autarchic ideas allege that some socialist countries are dependent on others, and that this contradicts the principle of proletarian internationalism. This dependence, they think, appears when the economic

activities of socialist countries are co-ordinated. They attempt to present co-ordination as the imposition of the will of one socialist country upon others, as a violation of the interests, independence and sovereignty of the latter. They view relations between socialist countries as being of the same sort as relations between capitalist countries. They deliberately distort reality and substitute one conception for another, the conception of *unilateral coercive dependence* for *co-ordinated voluntary interdependence*. Can there be a single whole without interdependence between its parts? Has any socialist country ever lost any part of its independence through strengthening its relations with other socialist countries? The relations between the socialist countries cannot be and are not relations of dependence; they are relations of voluntary, equal interdependence, co-ordinated in their common interests, and based on their objective needs.

In modern conditions no country, large or small, can be completely independent of the international division of labour. The attempt by any socialist country to isolate itself from the other socialist countries inevitably leads to its dependence on capitalist states. One of the consequences of this is the dependence of that country on the vagaries of the world capitalist market. It is drawn into non-equivalent commodity exchange and interference by capitalist states in its internal affairs. It may happen that such a socialist country, even though it has eliminated exploitation originating within itself, will subject its people to exploitation by foreign monopoly capital.

The interdependence of socialist countries excludes the subjugation of some countries by others and indeed strengthens the independence of them all. This follows from the domination in each country of ownership by the whole people—which excludes antagonisms in the interrelations of people within each country and evolves the *need for agreement between countries on co-operation and mutual assistance for the purpose of building a world society worthy of men*.

This does not interfere with the independent and autonomous solution by each country of its own national economic questions, and at the same time does not lead to national isolation. The national isolation of separate countries was first overcome when a single world capitalist

system arose. The transition to socialism should not therefore lead to a restoration of national exclusiveness.

The final result of the economic alliance of socialist countries will be the single world communist economy. Its creation is not yet an *immediate* aim, but even now individual economies cannot develop without taking this prospect into account, and without creating the prerequisites for its development.

The *sovereignty* and *freedom* of the socialist countries is expressed not only in their ability to solve their national economic problems independently. In the field of international economic relations it also finds its expression in *free discussion and the joint, voluntary adoption of decisions on the basis of equality and common interests, decisions ensuring the co-ordinated economic activity of all countries, that is, the planned division of labour between them*. Their common interests become the mainstay of their sovereign economic activities.

For the development and strengthening both of the world socialist system as a whole and its individual countries, it is extremely important to take into account the common interests and aims of the whole system. The realisation of common aims and interests is the basis for the realisation of the individual, specific aims and interests of separate countries, in keeping with the Leninist proposition on the need for a dialectic combination of the general and particular.

These common features cannot be cognised by photographing the concrete forms of the international economic links in the form they appear on the surface of the economic life of the separate countries. This would be a fruitless attempt. Only by relying on the dialectical method is it possible to penetrate into the dialectical essence of the world economic relations, to disclose the essential dependencies and causal connections in them.

The development of the world socialist system is a natural historical process, passing through a number of successive phases and stages that cannot be bypassed arbitrarily. One must not ignore the material conditions at every stage of historical development. Therefore, in the struggle for the consolidation and development of the world socialist system it is essential to consider future developments by taking strict account of the objective, specific and unique features

of the historical stages of development of each country and the concrete forms in which they manifest themselves. Lenin wrote about this as follows: "As long as national and state distinctions exist among peoples and countries—and these will continue to exist for a very long time to come, even after the dictatorship of the proletariat has been established on a world-wide scale—the unity of the international tactics of the communist working-class movement in all countries demands not the elimination of variety or the suppression of national distinctions . . . but the application of the *fundamental* principles of communism (Soviet power and the dictatorship of the proletariat), which will *correctly modify* these principles in certain *particulars*, correctly adapt and apply them to national and national-state distinctions. To seek out, investigate, predict, and grasp that which is nationally specific and nationally distinctive, in the *concrete manner* in which each country should tackle a *single* international task. . . ."¹

That is why the conscious co-ordination of the economic activities of the socialist countries, the solution of common tasks while taking due account of the national problems of individual countries, is vitally important even now. Experience shows, however, that this is a lengthy process. As mutual trust among socialist nations grows, the process develops from lower forms (connected with the natural division of labour and its realisation through international trade) to higher forms of co-operation embracing the leading branches of industry, as well as research, the exchange of technical information, the training and employment of skilled personnel, etc.

Bilateral trade and credit agreements, the rendering of assistance to countries which fell behind in their development under capitalism (or were devastated during the Second World War) characterised the period of the world socialist system's formation, the first stage in the development of international relations between socialist countries.

The need to co-ordinate the economic plans of separate countries arose in the next, second stage—with the creation of the Council of Mutual Economic Assistance (CMEA), which is at present the most developed form of international co-operation between the socialist countries.

¹ V. I. Lenin, *Collected Works*, Vol. 31, Moscow, p. 92.—Ed.

Some CMEA member-countries are beginning to feel a need for an even closer multilateral co-ordination of their productive activity, for a dovetailing of their efforts directly in production, for the setting up of common bodies of economic administration in the main branches of industry, and for other joint economic measures. Naturally, this need is felt to differing degrees from country to country, depending on the level of their development. Free discussion to uncover the root causes of differences of view on economic problems leads to the settlement of these differences and the working out of unanimous decisions satisfying real needs.

Objective tendencies assert themselves in spite of all erroneous subjective voluntaristic actions tending to harm the socialist community. An enormous role in overcoming these obstacles, in the theoretical forecasting of the future, is played by the subjective factor—the conscious, purposive activity of the Marxist-Leninist parties. Lenin repeatedly said that “a Communist is expected to devote greater attention to the tasks of *tomorrow*, and not of yesterday”.¹

Concrete historical factors at every stage of a country's development, and the social, national, ideological and other features specific to a country, all leave their mark. It is therefore particularly important to adapt general basic principles correctly to particular conditions, and to do this without losing sight of the main direction of historical development. But neglect of common international interests and the subordination of socialist construction only to concrete historical, national factors, must, at a theoretical level, lead to false notions about the objective course of history, and, at a practical level, engender erroneous actions tending to harm the development of world socialism.

Specific features of the economic laws of the world socialist system

Economic relations between socialist countries are governed by definite laws. Economists who dispute the reality of international relations of production maintain that only

¹ V. I. Lenin, *Collected Works*, Vol. 27, p. 352. Author's italics.—Ed.

the laws which operate within each given socialist country exist. They would be right if the relations of ownership of the means of production were the same within individual socialist countries as within the world socialist system as a whole.

Within the limits of a single socialist country, there is a single collective owner—the people as a whole. But in the international economic relations of the socialist countries there is no single public ownership and hence no single collective owner. Even though in each individual country the *type* of ownership is the same, within the framework of the world socialist economic system public ownership is limited—it has not yet overcome the national-territorial or state borders historically essential to the peoples building socialism, and is unlikely to do so in the foreseeable future. In practice this means that at the present stage of development of the world socialist system there is not a single, supra-national, united process of the production and distribution of material wealth.

This state of affairs will inevitably persist for a long time to come. It results from the concrete historical conditions in which socialism emerged and developed, and the fact that in the early years of its existence it grew on the material and technical basis it had inherited from capitalism.

The presence of many independent collective owners of the means of production, in the form of the individual socialist countries, is the first fact that must be taken into account in international socialist relations of production. This means that the laws of the world socialist economic system must not be identified with the laws of each individual socialist country. They will become identical only when co-ordinated economic management operates across national state borders and embraces the world system as a whole. On the other hand, it would be pointless to search the world socialist economic system for laws isolated from those operating in individual socialist countries. The laws of international socialist relations of production are closely linked to the laws of each socialist country. A study of the latter is fundamental to a study of the specific features of the laws governing the external interrelations of socialist countries.

Basic economic law of the world socialist system

The basic economic law of socialism is the main law not only of every individual socialist country but also of the whole socialist community. This is so because even under capitalism the development of the productive forces does away with national self-sufficiency and this creates new needs "requiring for their satisfaction the products of distant lands and climes".¹

The needs of modern society cannot be satisfied with local products alone. Yet it is vitally necessary for socialist society to ensure the all-round development of the personality of its every member, and to satisfy his requirements to the full. And since levels of production and cultural levels differ from country to country, the possibilities for achieving this aim differ accordingly. No single country can produce all the things it needs by relying only on its own internal resources. This would involve serious economic difficulties. Only the direct and conscious subordination of production in each country to the task of satisfying the constantly growing needs of the populations of all socialist countries make it possible to attain this objective. But even then, the complete solution of the problem can be reached only on a world scale.

Developments make it increasingly necessary to approach the world socialist economic system not as the arithmetical sum of its component parts but as a single socio-economic organism. *The basic economic law of socialism potentially embraces not only relations within individual countries but also relations covering the world system as a whole.* Without taking this into account the requirements of the basic law cannot be satisfied within individual countries.

In its ideal form the basic economic law of socialism, as a law of the world socialist economic system, covers the relations of all associated producers in all socialist countries. But at the present stage of development each country is an independent collective owner of its means of production. Hence, national production for the full satisfaction of the needs of the populations of all countries in the social-

¹ K. Marx and F. Engels, *Selected Works*, Vol. I, Moscow, 1962, p. 38.—*Ed.*

ist community can be effected only on the basis of special voluntary agreements on co-operation and mutual assistance, on international division of labour. The domination of public ownership of the same type in different countries makes such agreements possible.

Ideally, the basic economic law of socialism presupposes identical levels of development in all countries. Only then will it be possible to satisfy equally fully the needs of all the members of the world socialist system. As yet no such equality exists. The level of the development of socialism in countries which embarked on socialist construction at different times will naturally differ for some time. The countries of the socialist community differ in their levels of economic, technological and cultural development, and also in the degree to which class distinctions have been abolished in them. Until these differences have been removed economies of the different countries cannot move close enough together to form (ultimately) a single economy.

No people will tolerate permanent backwardness, particularly at a time when socialism is being built. The gradual elimination of disparities in socio-economic development is one of the prime tasks the socialist countries must accomplish in the course of their voluntary co-operation and mutual assistance.

The degree to which economic activities aimed at bringing levels of development closer together are co-ordinated is the main indicator of the progress made in the satisfaction of the requirements of the basic economic law of socialism in international socialist relations of production.

One of the first steps to be taken in co-ordinating the economic activities of the socialist countries is to introduce joint calculation of their needs, and of the social utility of every article intended or proposed for production. Only in this way can the levels of development of every country be accurately estimated, and the most rational measures (and the time) needed to bring them closer together be determined. At the same time, bringing levels of development closer together must not be allowed to hinder the development of the more advanced countries. This would be a concession to petty-bourgeois egalitarian demands, and a manifestation of parasitism on the part of the back-

ward countries that would arrest the advance of the socialist world economy as a whole.

Every country joining the socialist community, be it developed or backward, immediately feels the positive effects of doing so. Social labour productivity grows, and there is a general advance in living standards. This is achieved not through unilateral "charity" bestowed by one country on another, but principally through the mobilisation of all the internal resources of a country. This is the basic precondition for raising the living standards of the population of each country, and represents the operation of the law of distribution under socialism—to each according to the quantity and quality of his labour. This law operates unconditionally not only within individual countries but also within the socialist community taken as a whole, and governs their mutual relations.

The rapid progress of countries which inherited their backwardness from presocialist formations can be achieved without fettering the development of highly advanced states. This progress is achieved through co-operation, through division of labour. It gradually evens out the levels of development of all sections of the socialist community. *The more extensive the co-operation, and the division of labour going with it, the greater the rate of advance of all countries.* Substantial rises in labour productivity in formerly backward countries multiplies the common wealth and enables people to spend less time on directly productive labour—a factor ensuring the complete welfare and all-round development of the personalities of all members of socialist societies, including those of the most highly developed countries.

The law of socialism's even development

The practical need of the socialist world system for the evening out of differing levels of development is an economic law at work in the *first stages* of socialism's development. Subsequently it becomes the *law of socialism's even development*.

The different rates of economic development favouring the more rapid advance of formerly backward countries does not lead to an uneven development of socialism within

the framework of the whole community. These differences do not and cannot develop and fan antagonistic contradictions between socialist countries. This situation differs from the uneven development of capitalist countries in the imperialist stage, which can aggravate their antagonisms to a point where armed conflicts may be precipitated between them. The accelerated development of the economically backward countries creates conditions for the ever faster progress of the whole community. Gradually this *produces a consistent and even development of socialism in all countries*. Even development becomes an essential element in international socialist production relations without which world socialism as a system could not advance towards a single global economy.

One of the effects of the law of even development of socialism is to abolish the lop-sided economic structures of some countries inherited from capitalism, under whose domination they developed as agrarian raw material appendages of the imperialist powers. Historical experience shows that the comprehensive and complex development of the economies of these countries in the period of socialist construction has had favourable results.

The evening out of the differing levels of development and subsequent regular development is, however, not intended to lead to identical structures of social production and identical proportions in the economies of all socialist countries. Differences in natural wealth and sizes of population and consequent differences in domestic market capacities, prevent this. In a sparsely populated country, for example, an incongruity inevitably arises between the size of its population and its needs for complex industrial development. Certainly, the development of up-to-date means of transport, and the effects of immigration, lessen these differences. Even so, there have to be agreements between countries, especially since socialism (having abolished unemployment and poverty) now has sharply limited spontaneous migration of labour.

The urge to set up all branches of industry and agriculture in every single country, irrespective of the conditions obtaining in them, is economically unfounded. This is so not only because there is a shortage of labour in small countries. The national economic *effectiveness* of the various branches of industry is a more decisive factor. In a

number of branches, the enterprises set up to meet only local market needs will inevitably be small, and therefore backward and inefficient. Even in large countries the branches of modern large-scale production that are designed only for home markets may eventually become economically ineffective because they lag behind world technological levels or because they lack sufficient supplies of raw materials, power, etc.

By identical levels of development in socialist countries is not meant identical economic structures with identical national economic proportions. What is really meant is *equally high levels of development of the productive forces, equally high levels of labour productivity, equally high living standards, and the equally high development of the personality in all socialist societies.*

Economic structures and national economic proportions differ in the various socialist countries. This is unavoidable. In some countries particular branches of the economy—the extractive industry, manufacturing industry, or agriculture—account for the major part of production, in others the opposite is the case. Within the framework of these branches, too, the particular combinations of enterprises producing volumes of output in excess of home requirements also differ from country to country. But under socialism no country is doomed to remain predominantly agrarian, i.e., to retain a lop-sided monocultural economy, nor to play the role of a raw materials appendage to the industrially developed countries. Even where agricultural production predominates in a country, there will be a certain complexity to its economic structure. A large number of industrial branches connected with agriculture, as well as other branches whose growth is favoured by prevailing conditions must necessarily develop too.

It is even more important to stress that irrespective of the economic structures of individual countries, the most advanced scientific and technological achievements must be employed in all branches of production, including agriculture and the branches processing agricultural raw materials. A high scientific and technological level must be attained in all countries.

The international division of labour under socialism abolishes the small, atomised industries and one-sided economic development inherited from capitalism. A limit-

ed, incomplete raw material basis forms no obstacle to economic advance. Division of labour does not absolutise existing differences in national levels of labour productivity. The ultimate aim of this division of labour is the achievement of *maximum economic effectiveness*, i.e., the most consistent observance of the principle of getting the maximum results from production with minimum outlays. Today many other factors have still to be taken into account, but in future the criterion of economic effectiveness will become increasingly important.

**The law of planned, proportionate development
in the socialist world economic system**

The economic structures and proportions of the economies of the socialist nations are fixed in the course of their voluntary co-operation as *co-ordinated parts of the economic structure and proportions of the entire socialist system*.

It is not easy to determine the economic proportions of the whole socialist system. Ideally this would presuppose the existence of a single economic policy for the whole system, and a single command over its material, human and financial resources. But even if we proceed from these ideal conditions there arises the question of what should be taken as the basis for the determination of these proportions—human resources, natural conditions or labour productivity? Concrete solutions will differ according to the answer given to this question. The availability of large human resources does not necessarily mean that the setting up of modern large-scale production is economically possible. Modern highly efficient production and the factors promoting its further development do not always go hand in hand with favourable natural conditions. Moreover, each of the above factors has a different significance to every branch of the economy. It follows that the efforts of a socialist community to achieve an economic upsurge in this or that of its sections, in this or that country, to be successful one must know the answer to the above question. However, we do not as yet know the answer to it, and there may not be any short answer. Obviously, a basis should be sought in an optimal combination of all factors,

which only social practice and complicated collective research (taking into account national, economic and political considerations) can reveal.

The international division of labour enables countries to concentrate their efforts and means on the development of specialised, that is, mass production.¹

Economy of labour time in the world socialist system

Economy of labour time plays the main role in determining the economic effectiveness of production. Marx stressed its fundamental and absolute significance for socialist economy. This, too, applies not only within individual countries but also within the framework of the entire socialist world economic system.

International specialisation and co-operation and modern mass production organised on this basis helps ensure that labour time is spent in the most efficient way. The international socialist division of labour thus becomes a new source of economy and accumulation.

It is more difficult to satisfy the requirements of the law of the economy of labour time within the whole system than it is to do so within the limits of an individual country. This is because their full satisfaction will be possible only in the future when a higher stage of economic co-operation between countries has been established, and there is the free movement both of capital investment and labour between them. But it should be borne in mind that if in the economic development of every socialist country we take into account the possibilities of the entire system, we can make large economies of labour time. What is unattainable by economic development within the framework of individual countries, especially small countries, becomes fully attainable within the whole community.

Securing the maximum economy of labour time is a task of every individual country and a common task of the entire socialist community. Economies in the expenditure of labour time can considerably increase the spare time

¹ Economists from a number of socialist countries have published articles in the issues of *World Marxist Review* for 1963-64 dealing with the advantages of specialisation and co-operation in production for socialist countries.

available for the all-round development of the personalities of all members of socialist societies.

The international socialist production relations expressed by the *law of the economy of labour time* are indissolubly linked with the *law of the steady rise of social labour productivity*. Labour productivity grows as a result of the joint efforts of the peoples of all socialist countries. The comprehensive application of the factors making for the growth of social labour productivity should be based on the thorough preliminary study of them and the disclosure of all the potentialities inherent in the socialist world system.

Scientific and technological advance is now the most important means of raising the productivity of labour. Science is becoming a direct productive force. Arising from the needs of production, scientific problems and achievements are decisive prerequisites for the further development of production. Today the range and volume of scientific and technological tasks has become so great that they cannot be handled by individual countries, least of all by small ones. It has therefore become urgent to combine the scientific efforts of separate countries. This should include joint research, the rational distribution of research, and the rapid exchange of scientific and technological information.

The planned distribution and concentration of research among countries *in accordance with their specialisation of production* encourages the maximum use of science for the rapid solution of technical and technological problems. It promotes the making of the inventions and discoveries needed by production, accelerates their introduction and in this way helps to achieve the highest possible productivity of labour. On top of this, it has become necessary to work out a co-ordinated common scientific and technological policy which takes into account not only the needs of today but those of tomorrow, and which is therefore aimed at making the most fundamental advances in the scientific and technological revolution.

The objective need for a division of labour between socialist countries has become all the more necessary now that socialism is engaged in full-scale competition with capitalism. To achieve a decisive economic victory over the capitalist system it will be necessary to attain a social

labour productivity higher than that of capitalism. This, in turn, presupposes the conscious development of all the forms of international economic co-operation among the socialist countries, especially international division of labour, or specialisation and co-operation in production on a scale greater than that possible under capitalism.

The main trend in the development of international economic relations between the socialist countries, especially within the framework of CMEA, is now clear. It is expressed in the deepening division of labour between them, an indication of which is the rate of growth of commodity exchange between CMEA countries (which has in recent years outstripped rates of growth of industrial production). Between 1958 and 1960, CMEA countries increased their industrial output by 22 per cent, while their mutual trade turnover grew by 33 per cent. This trend is also evident in the gradual shift of the main form of co-operation from the sphere of distribution and foreign trade to the sphere of direct production—for example, the building of the single power grid to cover all the European socialist countries.

The factors working for the gradual abolition (in the future) of the limits set to co-operation by the division of property among separate countries will develop in the course of their co-operation without violating their sovereignty.

Specific features of the law of the correspondence of the relations of production to the productive forces

As the world socialist economy develops, it becomes increasingly necessary to overcome the limits imposed by the division of property among the different countries. This necessity manifests itself in the non-antagonistic contradiction between the rapidly growing productive forces and the restriction of social ownership of the means of production to individual countries. It is a particular manifestation of the *law of the correspondence of the relations of production to the level and nature of the productive forces*. This need is, of course, felt to different degrees in the various socialist countries. It is felt particularly in relatively advanced countries with small populations for whom

international economic co-operation is becoming more and more essential.

At the present stage of the world socialist system's development, it is too early to speak of abolishing the existing division of ownership of the basic means of production between different nations. Consideration should, however, be given to the long-term prospects for this development—especially to the fact that the economic functions of the socialist state, that is, its sovereignty in the economic field, will help rather than hinder the participation of each country in joint international economic management.

At present it would be erroneous to accelerate this development artificially, and equally erroneous to restrain it. The needs of social production should be analysed, and in those cases where a need for extending economic activity beyond national borders has matured, suitable economic and organisational forms should be worked out for this.

The law of correspondence operates differently in the socialist world from the way it does in the capitalist world. In the socialist world it operates in a *planned* way and on the scale of the entire system. The partial contradictions connected with the requirements of this law are resolved in the course of co-ordinated economic co-operation. For example, the co-ordination of the plans for capital investments in CMEA member-countries is a step towards the resolution of the partial contradiction between the complex economic development of the world socialist system and the fact that this development is financed within national frameworks. Again, there is a partial contradiction between the need to develop the entire system and the need for the all-sided economic development of each country.

The law of the correspondence of relations of production to productive forces is hence of enormous importance. However, we believe that the view often expressed in Marxist literature that this law plays the *leading* role in international socialist production relations is wrong.

Let us imagine that the world socialist community has attained complete correspondence between its productive forces and its relations of production. Then the stimulus for development, i.e., the very lack of such correspondence, would disappear. This is the more true that the law of correspondence, reflecting the requirement of the transition

from one formation to the other, gives rise to the whole system of the new specific laws, typical of the new production relations. This means that within the framework of the latter the law of correspondence can no longer serve as a stimulus for the development of production relations. This stimulus for the development of the new economy, as a form of the development of new productive forces, is contained in the new production relations themselves. Therefore, the development of the production forces in the form of socialist production relations, once the latter have emerged, is determined by the *basic* economic law of socialism. The requirements of this law represent the essential factor in socialist production relations that reproduces their socialist form and continuously renews the stimulus for the development of the productive forces and of the production relations themselves.

The contradiction between the fact that social production constantly engenders new social needs, and these in their turn inevitably make greater and greater demands on social production, is the basic impelling non-antagonistic contradiction of the socialist mode of production on a world scale, too.

The growth of the productive forces of the whole system tends to resolve continuously the dialectical contradictions inherent in society between the productive forces and the relations of production and this therefore demands that the economies of the socialist countries be united more closely than they are. But this objective demand cannot be satisfied automatically. It must first find its reflection in subjective awareness of the trends at work in the production processes of each country. Every country contributes to the economic consolidation of the socialist community exactly to the extent to which it understands the objective need for this. The development of production, the creation of new branches and, of course, the scientific analysis of the economic effectiveness of production, gradually strengthens the tendency towards international economic cohesion, and also promotes the understanding of it. It is further promoted by the example of the countries which were the first to realise this need, and which displayed initiative in the implementation of practical measures directed towards greater economic unity.

Since the socialist countries are not yet able to express world average socially necessary labour time directly, the law of value has a part to play in international socialist relations of production. The operation of the law of value intermediates the exchange of activity between socialist countries. The socialist countries exchange the commodities they produce as collective owners, i.e., as sovereign states. The profitability in terms of the internal currencies of the socialist countries of this trade may, in the case of some countries, fail to coincide with what would be most profitable for the system as a whole. This contradiction is resolved through mutually advantageous specialisation and co-operation of production and also through the conscious and planned regulation of prices in the socialist system.

We know that there will be no commodity-money relations in the future communist economy. Even now trade is carried on by countries in their capacities as collective owners of means of production, that is, as owners of a single type of property, one belonging to the whole people. Because of this some economists believe that there is already no need for commodity-money relations between socialist countries. We consider this idea unrealistic.

It should be noted that the relations of mutual exchange of socialist countries are indissolubly linked to their internal relations of production. Since there are commodity-money relations within separate countries, they cannot be excluded from their foreign relations. Besides, the socialist countries carry on relations with countries of the non-socialist world, in which spontaneous commodity-money relations prevail.

The law of value and commodity-money relations, and, hence, cost accounting are all necessary in international economic relations. The commodity-money form is used more extensively in international socialist relations. Within the limits of a single country the laws of reproduction are implemented both through commodity-money relations and through relations of social distribution that do not involve cash payments (public health and education services, social benefits, etc.). But within the limits of the world socialist system the laws of reproduction operate mainly through the mechanism of commodity-money relations. Naturally,

this does not preclude free assistance by one country to another. However, as a general rule, they exchange their activities in a mutually advantageous way, compensating one another equally.

The principle of mutually advantageous compensation does not contradict the principle of mutual assistance. Some people deny this. But mutual assistance, even when it is given gratis, is still to the mutual advantage of the parties involved. Between socialist societies, free assistance and support presuppose labour contributions by each to the common cause in accordance with their abilities. Mutual advantage in the economic sense is a peculiar expression of cost accounting in international production relations. Hence, in the final analysis, it is a question of using cost accounting in international socialist production relations to attain a greater economy of labour time than could be obtained by means of isolated economic activity within the limits of separate countries.

World economy—coexistence and struggle between two modes of production

The world socialist economic system—the very presence of which means that human society is going through a *period of transition from capitalism to socialism*—coexists with the capitalist system which still covers a larger territory and commands a greater population and volume of output than socialism. This is an historical fact which determines the present content of the world economy as a whole.

Socialism and capitalism are contradictory, mutually exclusive socio-economic systems. The antagonistic contradiction between them is the *basic* contradiction of the modern epoch, on the solution of which depends the future of the peoples of the world. However, since socialism emerges in every country not through forcible implantation from without, but as a result of the revolutionary resolution of the internal contradictions of capitalism, the contest between the two systems takes the form of *peaceful economic competition*. In the course of this competition the impact of socialism on human development increases, and the progressive forces within each capitalist country fight-

ing for the revolutionary transition to socialism are strengthened. Countries breaking away from capitalism join the world socialist system. So long as there is capitalism, the opposing economic systems must coexist. They are not isolated from each other, and therefore they not only coexist but interact economically, composing together the *world economy* or the *world market*. Alongside the separate capitalist and socialist divisions of labour, there is a *global division of labour* and certain co-operation between capitalist and socialist countries. The two economic systems enter into commodity-money relations, exchange scientific information and personnel, allow each other state credits, have transport, postal, telegraph, telephone and radio links, etc., etc. "We are not alone in the world," Lenin said of the young Soviet state. His remark applies no less today to the world socialist system.

The socialist countries have never at any time made it their aim to break off economic relations with the capitalist world and abolish the world division of labour. An attempt to do this would go against the objective nature of the world economy as a transitional stage, and would at the same time be tantamount to a voluntaristic refusal by socialism to influence actively the course of its development. As socialism grows stronger the structure of these economic relations changes in favour of socialism, despite all the steps the capitalist states take to prevent this. The latter have repeatedly resorted to wars, blockades, and so on, in their efforts to keep the socialist countries out of world economic relations. These attempts have been in vain, because, as Lenin pointed out, "there is a force more powerful than the wishes, the will and the decisions of any of the governments or classes that are hostile to us. That force is *world general economic relations*, which compel them to make contact with us".¹ The character of the relations between the capitalist and the socialist countries is determined by the fact that they are interrelations between opposing modes of production. The fact that one of the sides is socialist prevents either from exploiting or subjugating the other. But the advantages of these relations to each system differ for each system.

In developing its relations with the capitalist countries,

¹ V. I. Lenin, *Collected Works*, Vol. 33, p. 155. Author's italics—Ed.

each socialist country bases itself on its *fraternal links and unity* with the whole socialist community. Because of this, there is no danger of the socialist countries being "swallowed up" by the U.S.A. or any other imperialist country. Though they establish extensive links with non-socialist states, socialist countries will not tolerate any infringement of their political and economic independence. The powerful socialist system renders imperialism incapable of exerting the kind of pressure (particularly military pressure) it would be able to exert in the absence of the world socialist system. This has been proved in the case of Yugoslavia, and by the example of Hungary in 1956.

Their mutual economic relations inevitably evolve definite objective interdependencies affecting both capitalism and socialism. As regards capitalism, that system is in a state of general crisis, the basic expression of which is in the exacerbation of its internal antagonistic contradictions, which are steadily being resolved by the revolutionary transformation of capitalist economies into socialist economies. The emergence of socialism and the formation of the socialist world economic system has not only made the antagonisms of capitalism stand out in bold relief, but has given them the form of antagonistic contradictions between two economic systems. Significant is the growth of the impact of socialism on the development of all human society and the corresponding weakening in the world of the positions of modern capitalism, i.e., *the consistent transformation of socialism into the decisive factor in human development on a world scale*. Both the general crisis of the capitalist system, and the transformation of the world socialist system into the decisive factor in world development, are *laws* of the world economy encouraging the transition to socialism. The gradual transformation of socialism into the decisive factor of human social development is the *law* of the transition of the latter from capitalism to socialism.

The impact of socialism on human development differs in the different stages of the development of capitalism's general crisis. Only in the third stage of this crisis has socialism entered the period when it is becoming the decisive factor of social development throughout the world. This process is also determined by the quantitative and

qualitative growth of the socialist system itself. By its example it inspires in the progressive forces of the capitalist countries the will to struggle, and so helps them to carry out historically inevitable revolutionary transformations. When the construction of a socialist economy in the young Soviet state was in its initial stages, Lenin remarked on its importance for the victory of socialism on a world scale. "*We are now,*" he said, "*exercising our main influence on the international revolution through our economic policy.* . . . Once we solve this problem, we shall have certainly and finally won on an international scale. That is why for us questions of economic development become of absolutely exceptional importance."¹

Economic competition between the two world systems is even more important to socialist construction today.

The curbing of imperialist aggression in Egypt (1956), Syria (1957), Iraq (1958), Cuba and a number of other countries testifies to the growing influence of the socialist system on world developments in the political, ideological and economic spheres. This can also be seen in the changes in the attitudes of bourgeois ideologists towards socialism. In the first years of Soviet Russia's existence, the bourgeoisie generally denied the viability of socialism, considering it a very unpleasant but short-lived experiment. Later they changed their tactics and attempted to "prove" that socialism was inefficient as compared with capitalism. But nowadays the success of socialism has compelled capitalist ideologists to recognise its achievements and its future possibilities. Bourgeois ideologists are also compelled to admit that the prospects for capitalism are discouraging. For example, the director of the Institute of World Economy of the F.R.G., Professor Fritz Baade, in his book *Der Wettlauf zum Jahre 2000*, attempts to determine the year in which capitalism will collapse, if the peaceful economic competition between the two systems continues. According to the calculations of this writer, who cannot even be suspected of being a communist sympathiser, the world will become communist in 40 years. Naturally, historical processes do not unfold in accordance with time-tables, but there is no doubt that all mankind will inevitably, and

¹ V. I. Lenin, *Collected Works*, Vol. 32, p. 437. Author's italics.—Ed.

within the not too distant future, embrace communism. Such is the objective logic of history.

F. Sternberg, a bourgeois ideologist, studying the relation of forces of capitalism and socialism, comes to the conclusion that the development of the U.S.A. is no longer determined by internal factors alone. International factors, especially the economic growth rates of the Soviet Union, also have their effect. And what applies to the leading capitalist country undoubtedly applies no less to all other capitalist countries.

Modern capitalism is feverishly trying to find a "constructive" answer to the "challenge of communism". At the same time, we must not deny that capitalism also exerts a definite influence on socialist economies. To do so would mean ignoring the fundamentals of Marxism-Leninism, since it is because of the unity of the opposites in the modern world economy that the antagonistic sides interact, struggle, thereby creating the form of motion of the modern age's basic contradiction, and move towards its dialectical resolution.

The socialist countries cannot disregard the existence of imperialism, which though weakening is still strong. It compels them to give attention to problems of defence, to maintain an army, etc. The presence of imperialist states, the ruling circles of which have not yet given up the idea of putting a forcible end to socialism, compels socialist society to divert a considerable part of its material and human resources to non-productive defence expenditure and to postpone the implementation of some important social tasks.

The influence of capitalism on socialism is shown in the way the prices of commodities on the world socialist market are fixed on the basis of average price levels in the world capitalist market, and that to some extent they follow them. Since world economic relations are a fact, the values and the prices of commodities on the socialist market cannot be isolated from the values and prices of commodities on the world market. The value of a commodity is ultimately determined by the average-weighted *universal* socially necessary labour time expended in its production. But the share of the socialist countries in world trade is as yet not so considerable that they can exert a determining influence on the formation of world values and prices. The labour productivity of the world socialist system has not yet

overtaken that of the leading capitalist countries, who determine the magnitudes of the values and prices of commodities on the world capitalist market.

The steady advance of the economies of the socialist system, the achievement by them of the highest productivity of labour in the world and the lowest socially necessary outlays on production—in short, their absolute supremacy in the sphere of material production and their decisive participation in the world market—will enable them to exert a decisive influence on the formation of the values and prices of commodities on the world market. Only then will the economic influence of the capitalist system on the socialist system cease.

Some economists believe that relations between the two opposing economic systems can have no common economic basis. According to them, they simply face each other as things external to one another, having no internally determined connections—they only exclude one another, each mode of production having its own specific law of value.

If this were so, we might then well ask what does underlie the actually existing economic relations between the two opposing socio-economic systems? What enables them to sell commodities to each other, and on what basis is this exchange effected? We could ask many such questions which could not be answered if we were to assume that the systems had no basis for mutual economic ties. Since there are two opposing socio-economic systems, and they do both enter into economic relations with one another, there must be a common basis for their relations. The world values of commodities on the world market form this common basis.

Each system has its own law of value reflecting the specific features of the system. However, the law of value is not in itself a law belonging to any one formation—it is a law of *commodity production in general*, irrespective of the formation in which such production is carried on. Value is first and foremost a materialised expression of social labour. And it is this very property of value which makes it possible to compare the products of *different* systems of social production for the purposes of exchange—despite all the distinctive characteristics the law of value possesses in different formations.

Under capitalism the law of value acts spontaneously.

It involves the exploitation of man by man and enables capitalism to rob the economically backward peoples by carrying on non-equivalent exchange with them. Under socialism, it operates in a planned way and is used consciously by society. On the world market socialism opposes capitalism's non-equivalent commodity exchange with the developing countries, and strives to prevent all violations of the principle of equivalency in exchange between socialist countries. Socialism demands of capitalism that it consistently observe the principle of equivalency on the world market. Commodity exchange between socialism and capitalism rests upon a single objective basis—the social labour embodied in commodities, that is, their world values. The sizes of these values are determined in the last resort by the average socially necessary labour time spent by the whole of mankind within the framework of the total world economy. Therefore, both capitalism and socialism exert an influence on the sizes of the values of commodities on the world market. Socialism, as the higher social mode of production, must develop a more economical expenditure of labour than capitalism, and thereby exert the decisive influence on world values.

Economically, the contest between socialism and capitalism is aimed at establishing the most progressive social mode of production and distribution of material wealth. The means of this struggle is value as the method of expressing (a) expenditure of social labour, (b) economy of labour time, and (c) the growth of social labour productivity. Using these "levers" in their economic competition, the two systems will show which one of them is the more capable of developing the productive forces of society in the interests of all its members—and in this way resolve the contest between the two.

One of the results of the steady victory of socialism over capitalism in this contest is the gradual weakening of capitalism's economic influence on the world market and the strengthening of socialism's influence. Capitalist economic laws will play a smaller and smaller role in the world economy, while those of the socialist mode of production will play an ever greater one.

Economic ties between socialist and capitalist countries can be based only on peaceful coexistence and peaceful economic competition. So long as there is capitalism, such

relations between socialism and capitalism will remain an economic necessity. The more powerful socialism becomes, the more capitalism will be *compelled* to recognise this in practice and give up its attempts to destroy socialism by world war. The steady advance of the economic, political, military and ideological might of world socialism will impose a policy of peaceful coexistence and economic competition on capitalism.

The peaceful coexistence of opposing socio-economic systems does not establish itself automatically. It involves active struggle, the cutting short of imperialist attempts to unleash aggression against socialist countries and against national liberation movements. Peaceful coexistence, and the struggle against armed intervention by imperialism in the internal affairs of other countries, are two sides of a single phenomenon and should not be set up in opposition to one another. Socialism has attained a stage of development at which it is now possible, despite the provocations of imperialism, to make peaceful coexistence and economic competition the normal thing in relations between the two systems—provided, of course, that there is unity of action in the socialist camp, and sufficient pressure on the part of progressive and revolutionary national liberation forces in both the developed and the less developed countries of the capitalist world.

Imperialist forces have always publicly distorted the concept of peaceful coexistence and peaceful economic competition. They strive to prove that peaceful coexistence is impossible, that its advocacy by the socialist countries is only a manoeuvre intended to make the leaders of capitalist states throw caution to the wind and so enable communists to “export revolution”. They conceal the fact that Marx, Engels and Lenin always strenuously opposed all ideas of “exporting” revolution, since capitalist relations cannot be destroyed in the absence of genuine internal revolutionary situations. At the same time bourgeois ideologists also conceal the fact that imperialism is the most fervent champion of the “export of counter-revolution”, and can be prevented from resorting to it only by the policy of peaceful coexistence imposed on it.

The facts expose all imperialist inventions. The policy of peaceful coexistence between the opposing systems, originated by the socialist states, stems from the very nature of

socialism. The more level-headed representatives of the capitalist ruling classes understand that the chances of destroying socialism are melting like the snow in spring, that business-like co-operation is the only rational policy in the new historical conditions. This is all the more true now that the peaceful coexistence of the opposing systems is objectively conditioned by mutual world economic relations—the force of which is more powerful than the wishes of reactionaries to destroy socialism.

Many modern bourgeois ideologists picture the interaction of the two opposing systems as their gradual merger (convergence). For example, Jan Timbergen, Professor of the Netherlands Economic Institute, has written: "We are witnessing today the coexistence of two radically different economic systems, the 'communist' and the 'free' economies (according to western terminology) or the 'socialist' and 'capitalist' systems (according to the eastern vocabulary). The various names given to them are far from precise. Perhaps the most imprecise thing about them is the suggestion that each of these systems represents something well-defined and hence invariant. Reality shows both to be in permanent change." The author believes that these changes are leading to a rapprochement between the two systems. "On the one hand," he says, "each system is learning from experience and trying to overcome some of its own weaknesses. On the other hand, the systems are beginning to influence each other more and more."¹

As proof of the rapprochement of the two systems the author advances the allegations that the socialist countries have rejected the idea of direct management by the workers, that a class of civil servants has been created in them, that the principle of material interests is observed by them ("Strangely enough, this is labelled 'socialist wages policy' " Timbergen exclaims), that there are developed money relations, that money is used extensively as a universal equivalent in planning, etc. He regards the growth of state property in the capitalist countries, the spread of state intervention in the economy, the limitation of free competition, the introduction of free obligatory education and other measures of the bourgeois governments as indications of a rapprochement with socialism.

¹ Jan Timbergen, *Soviet Studies*, No. 4, 1961, pp. 333-34.—Ed.

Marxists have never denied the mutual influence of the different sides of a phenomenon. We explained this above. But bourgeois theoreticians do not have in mind mutual influences that will lead to the revolutionary resolution of the antagonistic contradictions existing between the systems, but influences that will supposedly touch the foundations of socialist society and lead to the absorption of socialism by capitalism. Not one of them has been able to give a single fact testifying to a degeneration of socialist production relations. This is not surprising since the nature of socialism excludes such degeneration. What convergence can there be? There can be no synthesis of socialism and capitalism. Their peaceful coexistence and economic competition will lead not to their merger but to the law-governed revolutionary transformation of capitalism into socialism.

* * *

International socialist relations of production and co-ordinated division of labour between countries of the socialist community are objective requirements of modern social production. The development of these relations is a complex and gradual process, proceeding from the simplest forms of friendly co-operation between national socialist economies to the creation of a single world communist economy. The author does not claim to have made a full or final analysis of the laws of international socialist relations of production. He has only tried to deal with some of the problems of their development, and has confined himself to an analysis of individual laws in their pure form.

Chapter Five

THE OPERATION AND UTILISATION OF THE ECONOMIC LAWS OF THE COMMUNIST FORMATION

The *subjective* factor plays a special role in the communist formation. In our investigation of economic relations we have so far ignored this factor in order to bring out the more sharply the *objective* interdependence and causal relationships in the economic activity of associated producers. However, the very disclosure of the objective laws governing this activity showed that it is essential for all members of society to adopt a conscious attitude towards them—so that they can be mastered. In other words, people must make use of the laws of their own relations of production in their common interests. Economic laws cannot be allowed to operate spontaneously. Indeed, the objective laws of the communist formation *presuppose* their *conscious* use by people. That is why the subjective factor is so important in the communist formation.

The subjective factor is present in all socio-economic formations and can be seen directly on the surface of economic relations, since every person *acts* in some way or other and in so doing *knows* or realises what he is doing. But this knowledge or awareness is not the decisive factor in the development of production relations.

"Every individual producer," Lenin wrote, "in the world economic system realises that he is introducing this or that change into the technique of production; every owner realises that he exchanges certain products for others; but these producers and these owners do not realise that in doing so they are thereby changing *social being*."¹

Social consciousness is also not the decisive factor in the development of production relations.

"The fact that you live and conduct your business," Lenin

¹ V. I. Lenin, *Collected Works*, Vol. 14, Moscow, p. 325.—Ed.

said, "beget children, produce products and exchange them, gives rise to an objectively necessary chain of events, a chain of development, which is independent of your *social* consciousness and is never grasped by the latter completely."¹

Yet consciousness can and must grasp the main features of the objective content of economic life—so that it can adapt itself scientifically to that content, and operate in accordance with the cognised objectivity of social being and its internal logic. This gives the subjective factor a new significance in the economic life of society, one that is expressed by the direct and constant use of economic laws in the interests of all members of society. At the same time, it helps people control their own production relations.

The subjective factor cannot play such a role in antagonistic formations, for example, in capitalist society. In that society it plays a different role. This is due, in particular, to the fact that capitalism cannot make the use of economic laws in the interests of all members of society its direct and constant aim. The domination of capitalist ownership in the means of production prevents this. Because of this domination of capitalist ownership there cannot be a constant economic interest truly common for all members of society. Hence, it also excludes the possibility of co-ordinating the economic activity of people, i.e., of abolishing the arbitrary or spontaneous operation of economic laws.

Capitalism carries the materialisation of social relations as far as possible—it alienates the forces of production from man, transforms the creative power of people into a commodity, and subjugates all human relations to the power of things, of money. Because of this, people cannot control their own relations of production, or their production, distribution and consumption. Consumption is not itself the aim of capitalist business activity—it is self-expansion of value. This aim, in all its multifarious forms, is the determining and regulating factor in life under capitalism.

Since the economic relations of people under capitalism take the form of direct "social" relations between *things*, the essential factors in their interrelations, that is, the economic laws inherent in them, appear as laws of social relations between things dominating people.

¹ V. I. Lenin, *Collected Works*, Vol. 14, p. 325.—Ed.

**The character of economic laws and the possibility
of their utilisation**

In their everyday practical activity people generally give little thought to economic laws. A man does not act in accordance with economic laws but in accordance with his personal interests, with the aims he has set himself (no matter whether they are well-founded or not) and which he strives to achieve in every way. Therefore, in a capitalist economy, the economic activity of people is not co-ordinated; it is full of contradictions, clashes of individual interests and includes various undesirable chance happenings. Nobody can foretell the results of the economic activities of separate individuals, because in the final analysis they are decided not by the will and consciousness of the disjointedly acting individuals themselves, but by the material forces controlling them. Economic laws, as laws of the social relations of things, act spontaneously, blindly, destructively—they are like the elements, or, to quote Marx's vivid comparison, like "the law of gravity . . . when a house falls about our ears".¹

Does that mean that people are always impotent in the face of economic laws? No, it does not. The conclusion that people are impotent in the face of spontaneously acting economic laws can only be drawn if we identify the objectivity of these laws with the arbitrariness of their operation. Economists who fail to draw the distinction between the two maintain that economic laws produce economic changes by themselves, automatically. On this basis, social reformists have developed a theory of the automatic collapse of capitalism—and its twin, the theory of the evolutionary transformation of capitalism into socialism. Making the same theoretical mistakes, some economists in the socialist countries have maintained (and here and there still continue to maintain) that the development of socialism is impossible without the free, that is, the spontaneous play of economic forces.

However, people are not powerless in the face of spontaneous economic laws. The only thing they cannot abolish is the objectivity of these laws. The objectivity of economic laws, like those of nature (and those of society) is part of

¹ K. Marx, *Capital*, Vol. 1, Moscow, 1965, p. 75—Ed.

their essence and therefore cannot be abolished. But the arbitrariness of the operation of objective laws can be and is abolished as we cognise and master them.

Since the spontaneity of the operation of economic laws has definite causes, their domination over people can also be abolished by removing these causes.

When describing socialist society, Engels pointed out that once society can establish its domination over the means of production, anarchy of social production is replaced by planned, conscious organisation. The conditions of economic life, "which environ man, and which have hitherto ruled man, now come under the dominion and control of man, who for the first time becomes the real, conscious lord of nature, because he has now become master of his own social organisation. *The laws of his own social action, hitherto standing face to face with man as laws of nature foreign to, and dominating him, will then be used with full understanding, and so mastered by him.*"¹

Under these new conditions the social relations between people lose their material shell. They no longer appear as material relations between people, or as social relations between things, but become what they really are—direct relations between people engaged in joint social labour. As a result, the economy inevitably loses its spontaneous character.

This society of associated producers puts an end to the spontaneity of its economic life and abolishes the arbitrary operation of the economic laws of that society. This means that society exercises control over them in the interests of all its members.

Engels remarked that the oppressive spontaneous action of economic laws under capitalism rests "on the want of knowledge of those whose action is the subject of it".² The spontaneous, blind, destructive action of economic laws continues, "so long as we do not understand and reckon with them".³ What consciousness, what understanding of laws does he have in mind?

The fact that people may realise (or fail to realise) that economic laws operate spontaneously under capitalism does

¹ F. Engels, *Anti-Dühring*, Moscow, 1959, pp. 390-91. Author's italics.—Ed.

² K. Marx, *Capital*, Vol. I, Moscow, 1965, p. 75.—Ed.

³ F. Engels, *Anti-Dühring*, Moscow, 1959, p. 385.—Ed.

not of itself put an end to the spontaneity of their action. Having found out, for example, that the value of a commodity is not a natural property inherent in it but is a materialised social relation, people are not then able to do away with the rule of the law of value over them, and by mastering it use it in the general social interest. In exactly the same way, having understood that economic crises result from the contradiction between the social character of production and private appropriation, people cannot then prevent the spontaneous emergence of crises and all their destructive consequences. No matter how much they resort to market research, capitalists cannot curb the spontaneous rule of the laws of capitalism over them, and everybody else with them. A knowledge of economic laws, Engels noted, cannot in itself save capitalists from losses and bankruptcies, and workers from unemployment and poverty.

Hence, when we speak of abolishing the spontaneous operation of economic laws, we do not have in mind their isolated, individual cognition, nor the learning of simple formulae or abstractions isolated from life such as those devised by bourgeois political economists. "Mere knowledge," Engels said, "even if it went much further and deeper than that of bourgeois economic science, is not enough to bring social forces under the domination of society. What is above all necessary for this, is a social act."¹ Thus, what is necessary is not the cognition of the essence of economic relations and actions by individuals, but mass cognition of them, and conscious *mass action* on a social scale.

Marx termed mass social consciousness, "the collective mind". Such consciousness is not the arbitrary generalisation of the knowledge and opinions of separate people, or of individual groups of people. There can be many such opinions, some of which may be mutually exclusive. The collective mind of society is cognition by a collective, cognition based on the dialectical materialist method, involving the practical testing of all theory. The vanguard of the working class (of the people) is such a collective. It imbues the masses with consciousness, who in turn by their conscious practice enrich knowledge. Only by becoming an attribute of the broad popular masses can cognition be

¹ F. Engels, *Anti-Dühring*, Moscow, 1959, p. 436.—Ed.

transformed into a material force, i.e., into conscious social action.

The cognition of economic life is not just passive observation. Cognition requires *action* aimed at discovering the essence of all social and economic phenomena, their objective conditions and connections, their causes and effects. Cognition does not occur automatically, not as cognition for the sake of cognition, but as cognition for the sake of putting what is cognised to use in the common interest. This means that one cannot expect things to happen by themselves but, as with natural laws, one has to discover ways of making use of cognised economic laws. It also means that the social actions of the masses must be consciously organised, otherwise economic laws cannot be put to use. *The use by society of economic laws is the conscious, skilful, collective use of these laws by people in their common interests.* The cognition of objective economic laws is always linked with their transformation into conscious, organised mass action in the social interest. To cognise economic laws means to cognise the natural requirements of social production and to act in accordance with them. Only by this active approach can people get from their economic activities the results *desired* by them. Only such cognition *subordinates* economic laws to people.

Society does not create or destroy laws by using them, it only acts upon them to make them operate in the desired way. Society could not use economic laws in any other way. It is only in this sense that objective economic laws can be mastered by society.

The subordination of economic laws by people, the abolition of the spontaneity of their action, does not mean that there can be any arbitrariness in their use, that people can select laws for use at will, that they can "create" or "destroy" them. No society can use the economic laws of a different socio-economic formation if the prevailing objective economic conditions do not correspond to them. No society can discard a single economic law if prevailing economic conditions favour its operation. Socialist society, for example, cannot discard the law of value so long as there is commodity production. If commodities are produced in a society, that is, if there is buying and selling, the law of value must inevitably operate, even though it may take on specific features. Economic reality objectively compels

socialist society to use (in operating this law) everything that coincides with the interests of socialist (communist) construction, and to restrain everything hampering it.

The conscious extension or restriction of the sphere and intensity of the operation of this or that economic law, that is, control over the creative or destructive force of economic laws, and the removal of obstacles impeding their operation, are the methods used by society in employing economic laws.

All other conditions being equal, the extension or restriction of the spheres of operation of economic laws is possible only if society can organise mass action on a national scale *in accordance with the content of these laws*. To restrict the action of a law there has to be mass action sufficient to prevent the negative aspects of the law from asserting themselves. Society does this by using other laws that can restrict the operation of the undesired one. In the real world, the workings of laws always intertwine, exerting definite modifying influences upon one another.

There are economists who believe that the very thought of extending or restricting the scope of action of laws smacks of voluntarism. They would be right if the utilisation by society of laws were arbitrary, if it did not involve a cognition of their objective content and did not take into account concrete social conditions. Such "utilisation" really would be pure voluntarism and could only have the purpose of deceiving people.

In studying the question of the use of economic laws, some writers claim that society can use them unconsciously. In claiming this, they fail to distinguish between the spontaneous operation of laws and their conscious application by society, because "unconscious" use is nothing but the spontaneous operation by which laws subordinate people. It becomes a case not of people using laws but of laws "using people".

Common economic interests

Capitalism disunites people and prevents the abolition of the spontaneous action of economic laws. It develops arbitrariness in economic life. Nevertheless, even in capitalism, there can (under certain conditions and within definite limits) be purposive economic social action capable of

restricting spontaneity to some extent. This happens when a *common economic interest* develops—though this interest can never be either total or permanent in character.

Common interests exist in every society, even if only because of the fact that any one society is a single entity. But in antagonistic societies these common interests cannot act directly. Under private ownership of the means of production, common interests are overshadowed by clashing private economic interests. A truly common interest cuts across private interests and is therefore alien to them. In antagonistic societies common interests may even seem illusory, since opposing private economic interests, both those of individuals and of groups, both those dominating and those in the ascendancy, appear to the participants in their struggle as the only real ones. Their struggle reveals the community or the opposition of the interests of whole groups of people or classes.

However, the economic interests of each class are of different significance to progressive social development. The interests of one class objectively promote progress, those of another hamper it. At a definite stage of the development of an antagonistic class society the interests of the dominant class come into conflict with those of the other classes and sections, and this conflict cannot be resolved within the framework of the given society. But it can be resolved by the revolutionary break-up of the old mode of production and the establishment of a new one. It is during this revolutionary period that the community of interests of the non-dominant classes is expressed most clearly, helping them to achieve solidarity in their social action. For the bulk of the people, however, only the interests of one class, the class in ascendancy can become the basis for a community of interests. This class brings more progressive methods of social production and distribution of material wealth. This swings the other non-dominant classes and sections of the people interested in the destruction of the old economic order behind it. A class aspiring to become the ruling class must rely on this interest because it always needs to expand the social basis of its struggle to take power. Turning to the masses it must represent its specific interests as common interests. "Each new class," the founders of Marxism scientifically established, "which puts itself in the place of one ruling before it, is compelled, merely in order to carry

through its aim, to represent its interest as the common interest of all the members of society.”¹

In an antagonistic class society the common interest of society as a whole is mediated by the specific interests of the class which, at a given stage, promotes the further progressive development of society's material life. The class whose interests coincide with the interests of progress is widely supported by the mass of the people (who are the basic force of social action), even if its aim is no more than a change in the form of exploitation. For example, in the final stages of feudalism the economic interests of the ruling aristocracy hampered social progress. The people themselves became convinced in their daily lives that the feudal order obstructed the free development of capitalist relations in town and country.

Feudal relations put a brake on the development of emergent world trade and extensive application of machinery in production, for which there had to be workers free of personal feudal dependence; they also hampered the acquisition of colonies, the further accumulation of capital and its concentration and centralisation. The new capitalist relations offered the working people liberation from personal dependence and opened up before them other economic prospects. The broad working masses became anxious to discard their feudal fetters.

While the bourgeoisie was still a third estate opposing feudal society, its interests did not evoke the antagonism of the working people. The latter did not yet see the fundamental difference between their own interests and those of the bourgeoisie. The broad working masses supported the bourgeoisie in its struggle against feudalism. Even later, when the working masses had already become an independent class, the struggle of the bourgeoisie against the feudal order and for the bourgeois revolution had their unflinching support. Studying this question from the example of tsarist Russia, Lenin wrote that under certain conditions “the working class suffers not so much from capitalism as from the insufficient development of capitalism. The working class is, therefore, *most certainly interested* in the broadest, freest, and most rapid development of capital-

¹ K. Marx and F. Engels, *The German Ideology*, Moscow, 1964, pp. 61-62.—Ed.

ism. . . . That is why a *bourgeois* revolution is *in the highest degree advantageous to the proletariat*.”¹

Without the support and participation in the struggle of the broad mass of the working people, the bourgeoisie could not have attained its class aims even though they fell in with the interests of the progressive development of society's material life. The more decisively the bourgeois revolution acted to sweep aside the feudal order, the more did it promote the interests of the whole people. And, vice versa, a “partial” bourgeois revolution, one that supported predominantly the selfish interests of the bourgeoisie and established agreement between the bourgeoisie and the feudal aristocracy, generally went against the interests of the more radical sections of the working people, who demanded that the revolution be carried to its logical conclusion. In such cases the bourgeoisie encountered the independent revolutionary resistance of the plebeian peasants and later that of the mass of the workers whose expectations had not been fulfilled.

The awareness by society of the objective interests of social development has been reflected in economic theory. Scientific bourgeois political economy, as represented by the mercantilists, the physiocrats and the classicists disclosed the laws of the economic life of society with a view to demonstrating the advantages of capitalism over feudalism. Engels observed that since politico-economic discoveries were spearheaded against feudalism and aimed at developing the capitalist system, which at that time was objectively needed by society, they furthered the common aims of society.²

The mass revolutionary measures taken by the bourgeoisie cleared the way for the development of new production relations and the laws governing them. The social action taken by the people, then headed by the bourgeoisie, was in essence the use in the interests of society as a whole of the objective economic law of the correspondence of production relations to productive forces. Even though this law had not at that time been formulated (this was done later by Marx), its utilisation had already become possible within the limits of theoretically understood economic

¹ V. I. Lenin, *Collected Works*, Vol. 9, pp. 49-50.—Ed.

² See F. Engels, *Anti-Dühring*, Moscow, 1959, p. 208.—Ed.

processes, reflecting the objective need for the destruction of the feudal system and the establishment of the bourgeois system. Society understood the need for a transition to capitalism both practically and theoretically. It apprehended the law of correspondence in its ideal form as "liberty, equality and fraternity" (while the "laissez-faire, laissez passer" principle was a purely economic expression of that law). The bourgeoisie use this slogan to draw the working masses into the struggle for the destruction of the feudal system. It was also on the basis of mass social action that the bourgeoisie succeeded in using economic laws that had been known under feudalism. For example, the Constituent Assembly of France in 1789 "in its economic reforms translated from theory into practice a substantial portion of the physiocrats' principles".¹

The most favourable times for the utilisation of economic laws in the general social interest in antagonistic societies are the times of revolutionary transition from one stage of development to another. The possibilities for their utilisation are reduced to a minimum in post-revolutionary periods. Let us look at the post-revolutionary periods of bourgeois societies. The special interests of the bourgeoisie (which at a definite state represented the interests of society as a whole and therefore rallied the broad popular masses around it) began increasingly to go against the interests of that section of the people that did not rise to domination and became an antipode of the bourgeoisie. While the working class had not yet become an independent class and had not yet appeared on the political arena as an independent political force, the bourgeoisie was able to carry out capitalist accumulation—often using the most brutal methods—without apprehension, in the name of national interests, knowing it could rely on mass support. But after capitalism had asserted itself and the economic and class antagonistic contradictions inherent in it had become stronger, the use of objective economic laws in the interests of the whole of society then came into irreconcilable contradiction with the bourgeoisie's special interests. The continued use of laws in the general social interest became impossible without encroaching upon bourgeois ownership of the means of production. To maintain its domination, now that it was

¹ F. Engels, *Anti-Dühring*, Moscow, 1959, p. 344.—Ed.

under pressure from the working-class movement, the bourgeoisie was compelled to keep the exploitation of labour within certain limits. Labour legislation regulating the duration of the working day, limiting the use of children's and women's labour, etc., was passed to meet prevailing relations of class forces.

At present, when the development of capitalism as a system is on the decline, capital does not make use of economic laws in the interests of society as a whole (if we discount processes objectively preparing the material basis of socialism, and the preparations made by the progressive social forces for the utilisation of the general law of the correspondence of production relations to the nature of the productive forces). The opportunity to use economic laws in the interests of society as a whole has to some extent re-emerged in those countries that have recently freed themselves from colonial dependence and embarked on the road of independent economic development. This, however, should not be regarded as a repetition of past conditions—it is a new phenomenon, connected with the present historical stage of the transition of mankind from capitalism to socialism.

The conscious introduction in the developing countries of state capitalism and of elements of planning on a national economic scale make it possible to use economic laws in the interests of society as a whole. It promotes the struggle of the developing countries for the consolidation of their economic and political independence, against the attempts of the world monopolies to perpetuate their rule over them. This possibility of utilising economic laws is greatly influenced by the presence of the socialist economic system, with its experience in planned economic management and the help it renders the developing countries. Without this help they would not be able to consolidate their positions in the fight against imperialist expansion and to embark on the road of non-capitalist development (guaranteeing their economic independence and political sovereignty).

Only public ownership of the means of production creates genuine common economic interests (as against the imaginary ones supposedly existing under the domination of private ownership). To achieve common interests there has to be constant co-ordination of the economic activities of the owners of the means of production. Co-ordination, in turn,

is impossible without knowledge, without the mastery by the people of the laws of their own relations of production, without the abolition of the spontaneous operation of these laws.

Means of utilising economic laws under capitalism

The utilisation of economic laws in an antagonistic society in the interests of society as a whole is complicated not only by the difficulty of a cognition of those specific qualities of common interests that form the basis for conscious social action by the broad mass of the people, but also of the methods of implementing such social action. The economic movement of society is made up of a multitude of spontaneous economic actions of individuals. These disjointed actions also make up the economic movement of classes, with their specific, class interests. Such spontaneous disjointed economic activity, even when the people engaged in it realise the community of their class interests, makes it difficult for a class to take concerted economic action (let alone for society as a whole to do so), and it certainly cannot take it automatically.

The economic movement of people comprising a class gives rise to their political movement and to the emergence of corresponding political organisations. These are, primarily, *the state and the political parties*. With their help the various classes strive to realise their class interests by organising social action corresponding to them.

In antagonistic societies the economic interests of the main classes are diametrically opposed. The difference and the opposition to their class economic interests is responsible for the class struggle. The state, the organisation of the dominant class subjecting the whole of society to its influence, arose as a product and a manifestation of the irreconcilability of the economic interests of different classes.

"The state", the founders of Marxism noted, "... is on the whole only a reflection, in concentrated form, of the economic needs of the class controlling production."¹ In the final analysis these needs boil down to ensuring the best

¹ K. Marx and F. Engels, *Selected Works*, Vol. II, Moscow, 1962, p. 395.—*Ed.*

conditions (from the point of view of the private owners of the means of production ruling society) for the exploitation of the broad mass of the working people and the perpetuation of these conditions. This function is fulfilled by the state, which is a tool of the ruling minority fighting for the maintenance and consolidation of its domination over social production, an apparatus managing the common affairs of the ruling class and defending its interests against all encroachments (it includes the government and all its administrative and coercive organs). The state uses the whole might of its organisation to force all non-dominating classes and layers of society into subordination to the interests of the ruling class.

As a result of the social division of labour, the state in fact acquires a relative independence and also subordinates to its will the members of the ruling class itself, doing this in the common interests of that class as a whole. "The state is the form in which the individuals of a ruling class assert their common interests."¹

Accordingly, the ruling class determines the direction, content and forms of the state's activity, that is, the whole policy of the state (especially its economic activity) at all stages of its domination. This state policy is the concentrated expression of the basic economic interests of the ruling class vis-à-vis the interests of other classes.

State policy is the whole aggregate of the measures taken by the state in the various fields of social life. Such policy cannot be arbitrary. It is dictated by the fundamental economic interests of the ruling class and is based on them. The measures proposed by the state are practical conclusions drawn by the government from the economic situation of society. "All governments," Engels wrote, "are *en dernier lieu* but the executors of the economic necessities of the national situation."² That is, of the economic situation of society and its correspondence with the interests of the ruling class.

The practical conclusions the government draws from the country's economic situation, in keeping with the interests of the ruling class, may or may not promote the

¹ K. Marx and F. Engels, *The German Ideology*, Moscow, 1964, p. 78.—Ed.

² K. Marx and F. Engels, *Selected Correspondence*, Moscow, 1965, p. 446.—Ed.

economic development of society as a whole. Since the demands of the government, expressed in its policy, are binding on society as a whole, and are implemented coercively, they are bound to benefit the ruling class. But the less state policy coincides with the interests of society as a whole, the less are economic laws put to use.

The state policy dictated by the economic interests of the ruling class inevitably affects the country's economic development. In his letter to K. Schmidt, Frederick Engels explained that the effect of the policy of the state on economic development can be one of three kinds:

First, "it can run in the same direction, and then development is more rapid". This policy helps to establish and consolidate new economic and political principles and abolishes old, outmoded ones. This influence accelerates the economic development of society and falls in not only with the interests of the ruling class but also with the interests of society as a whole and is therefore given definite support by the popular masses.

Second, "it can oppose the line of development", influence the economy in a negative sense, that is, promote regress rather than progress. This policy consists in perpetuating the old economic and political order, fettering the economic development of society. This policy encounters the increasing resistance of the popular masses and inevitably goes to pieces in the long run.

Third, "it can cut off the economic development from certain paths, and prescribe certain others". This type of state influence on the economy is probably the most widespread and reduces itself to one of the two previous ones.¹

Thus, state policy can be progressive or reactionary. For example, when the bourgeois state was strengthening the capitalist system in the given country, smashing the resistance of the feudal aristocracy and helping to eliminate the vestiges of feudalism, i.e., so long as it was conducting a policy that accorded with the socially necessary trend of economic development, thereby accelerating this development, it was in the main *progressive*. But with the transition of capitalism to a higher stage of development, when all the contradictions of the capitalist mode of production were

¹ K. Marx and F. Engels, *Selected Works*, Vol. II, Moscow, 1962, p. 493.—Ed.

aggravated to the utmost, when the transition to socialism became the only progressive way out for society, the policy of the state, persecuting democratic movements and fettering democratic social development, became *reactionary*. Under the pressure of the masses it may on some occasions become progressive, for example when the state is compelled to help in establishing democratic controls and to curb, at least to some extent, the omnipotence of monopolies.

The influence of the state on the economy derives from its essence as a part of the superstructure. The superstructure reflects the basis that has brought it into being and actively helps it to assert itself (in fact, this is its most important function). The superstructure comes to the defence of its own basis even when the economic relations dominating in society begin to fetter the further development of the productive forces. Since it exerts such an influence on the economy—irrespective of whether this influence is positive or negative—*the state is not impotent in economic respects*.

To conduct its policy, the state possesses not only a political apparatus (the government and the police, courts, prisons, armed forces and the church) but also an economic apparatus, closely linked with it, which includes various kinds of financial bodies and the state monopolies. The government controls the issue and circulation of money, imposes and collects taxes, makes state loans, organises state credit institutions, and extends subsidies and grants privileges for the purpose of encouraging particular fields of production. The state also determines military expenditure (which has a considerable effect on the economy), regulates the conditions of the exploitation of labour, organises state enterprises and redistributes the surplus value they create in the interests of dominant private monopolies. As capitalism develops the bourgeois state intervenes more and more in the economic life of society in the interests of the ruling bourgeois groups, becoming not only the "night watchman" of capitalism but a collective capitalist itself. State power, Engels stated, is not only an ideological force, subordinating the people, but it is also an *economic force*.

Classes struggle for state power because their interests can only come to dominate society with the aid of the state. To implement its economic interests in a revolutionary way,

the non-ruling classes make the seizure of state power their main aim. The question of state power is therefore always the central question of the class struggle. Classes also strive to get consideration by the existing state of their specific interests for the same reason that within the framework of prevailing economic relations they are unable to translate their interests into reality without help from the state. Even the working class, in order to achieve within the framework of capitalist relations the introduction of the 8-hour working day, or universal labour protection, or other economic measures favourable to it, makes use of the bourgeois state, exerting pressure on it and compelling it to satisfy its demands.

The struggle of the classes to take power and to determine state policy has gone on since the state first appeared. From that time onwards the non-ruling classes and social layers (both the directly oppressed, such as the proletariat and the indirectly oppressed, such as the petty bourgeoisie, etc.) struggled to take state power. This class struggle is headed by *political parties*. A party is a union of the politically most active members of a class, its vanguard. A party understands the fundamental economic interests of its class and makes the mass of the members of that class aware of those interests, thereby transforming spontaneous class struggle into conscious struggle. A party works out the policy of its class, that is, the aims, content and forms of the class struggle and, hence, the attitude of that class towards other classes and social layers. A party also directs the corresponding mass action of its class. This struggle of class interests gives rise to the purposive social economic action of the popular masses, in the course of which cognised economic laws are used to the benefit of society as a whole.

Economic laws can be put to use in an antagonistic society either through the agency of the state—which in certain cases is able to express the common interests of society through the specific interests of the ruling class—or through the revolutionary action of the popular masses, headed and organised by the party of the class that is in process of taking power. Only such a party and the state can work out measures that accord with cognised economic laws, and can help make the masses aware of the need to implement these measures and to organise appropriate

social action. But the transformation of these possibilities into reality depends on many circumstances determined by the class struggle, and it is therefore not an everyday occurrence.

Owing to the domination in antagonistic societies of private ownership of the means of production, the utilisation of economic laws in the interests of society as a whole can be neither constant nor direct. This can be seen from the way these laws are in fact used, particularly in bourgeois societies. As we have seen, capitalism uses them in the interests of society indirectly, sporadically and incompletely, and this leads to violent upheavals of that system as a result of the intense conflict between the interests of the main contending classes. So the utilisation of economic laws in the interests of the whole of society, even to the limited degree to which this can be done in capitalist society, is a comparatively rare phenomenon. *Economic laws under capitalism operate mainly spontaneously* because capitalist relations of production are spontaneous and cannot be otherwise.

The bourgeoisie, as the ruling class, is interested in preserving the spontaneity of economic life and the theories distorting the content of the economic laws governing it. The modern bourgeoisie bases the economic measures taken by the state not on cognised objective laws but on "theories" reflecting its specific interests. This makes the operation of the laws even more spontaneous.

At present the most reactionary forces of capitalist societies are resisting with particular stubbornness the genuine cognition of economic laws. The bourgeoisie prompts its theoreticians directly and indirectly to evolve "theories" that are profitable to it, rather than theories which show the true content of economic relations.

Therefore we cannot agree with those who maintain that in antagonistic societies every ruling class has extensive possibilities for using economic laws, that is, for the deliberate expansion or contraction of this or that sphere of their operation. On the contrary, the extent to which the exploiting classes can use objective economic laws (even indirectly) in the interests of all society is extremely limited.

The measures which were and still are taken by the exploiting classes under the protection of their state to in-

tensify the exploitation of the working people cannot be regarded as the utilisation of economic laws in the interests of society as a whole. Moreover, an exploiting class is interested in actually preventing the scientific cognition of economic laws, for such cognition exposes the irremovable antagonisms within the framework of exploiting societies and thus contributes to their inevitable downfall. An exploiting class cannot be interested in the cognition by society of this historical inevitability. And, of course, the resistance of the ruling exploiting class to the discovery and the use of economic laws in the interests of all society hampers their discovery and use.

This does not mean that in modern capitalist society there is no force interested in the cognition of economic reality and in the use of cognised facts in the interests of progress. The working class—which rallies around itself the non-proletarian masses of the people, too, that is, all the forces fighting for social progress—is such a force. Assuming a different concrete form in every country, this progressive social force is growing stronger and stronger throughout the capitalist world.

The cognition of objective economic laws helps to consolidate progressive forces and to prepare for their conscious social action. The great scientific discoveries made by the founders of Marxism, who brought to light the real content of the laws of the capitalist economy and the role of the proletariat as the most progressive class in bourgeois society, have enormously helped and continue to help to develop the self-consciousness of the working class, to unite its ranks and to swing the broad masses of the working people behind it.

Progressive social forces resolutely fight the false theories elaborated by bourgeois ideologists—because this “inversion, which, so long as it remains unrecognised, forms what we call *ideological outlook*, reacts in its turn upon the economic basis and may, within certain limits, modify it”.¹ Progressive social forces are always interested in the genuine cognition by society of its production relations, since it is only on this basis that the conscious social action of the masses needed by society can be launched

¹ K. Marx and F. Engels, *Selected Correspondence*, Moscow, 1965, p. 423.—Ed.

and the revolutionary overthrow of the outmoded reactionary forces and system carried through.

By uniting the working people, the working class has already been able to overcome the resistance of the bourgeoisie in a number of places—first in Russia and then in some European, Asian and Latin American countries. The working class seized state power and made the means of production public property. On this basis they established genuinely common interests among the people, and society began to utilise economic laws directly and constantly in the interests of all its members.

Utilisation of economic laws under socialism

With the victory of the first proletarian revolution a new epoch began in the economic history of mankind—the epoch of social production managed by social foresight. The discovery and use of objective economic laws in the interests of all members of society for the first time became a day-to-day matter, a direct necessity of economic life, a constant prerequisite and condition of the practical and economic activity of all.

Socialist societies have the most favourable conditions for the cognition and utilisation of their economic laws. There can be no social force in them that is interested in resisting the cognition and utilisation of laws. This is reflected in their class structure. Under socialism there is no antagonism between classes. The workers and the peasants (who are not exploited by anybody and do not exploit anybody themselves) are fraternal classes. Even at the present stage of development they have common economic interests that are rooted in the very essence of their social economy. Ultimately, they will amalgamate in a classless society.

The economic development of victorious socialism, by ruling out the existence and spontaneous emergence of exploitation, makes impossible the existence and spontaneous emergence of social antagonisms. It therefore excludes too the emergence of a social force which, to maintain its rule, could be interested in the spontaneous action of economic laws and in the fabrication of theories falsifying their content.

Nevertheless, everyday life naturally presents its own difficulties, such as the passive resistance to innovations caused by inertia, by the force of habit. But this resistance is not of the same sort as that put up by moribund social forces. Lenin said: "Every slogan the Party addresses to the people is bound to become petrified, become a dead letter, yet remain valid for many even when the conditions which rendered it necessary have changed."¹

The masses may show passivity as a reaction against voluntaristic economic measures. This happens when the importance of the subjective factor in economic activity is exaggerated, when it becomes divorced from its objective basis. One expression of such voluntarism was the excessive enthusiasm shown for the development of individual branches of the economy to the detriment of all others, the "economic megalomania", the striving for the achievement of unrealistic rates of development, and other shortcomings that arose in the practice of socialist construction in the U.S.S.R.

The use of economic laws by socialist society in the interests of all its members consists in the complex and multiform conscious social action of its associated producers. This encounters all sorts of difficulties of an objective and subjective nature, but these are, in the long run, overcome. *The point of departure for the utilisation of economic laws is a single plan for co-ordinated economic activity, worked out in accordance with the cognised objective need for it, and relying on appropriate social economic action.* Public bodies are needed to control these economic processes.

In the early stages of their economic activity, the associated producers of a socialist society set up a public body—the socialist state of the proletarian dictatorship. Generalising the experience of the Paris Commune (the first attempt made by workers to organise their own state), Karl Marx wrote that the working class knows that a long time is needed for socialist relations to assert themselves in society, for people to become accustomed to them, for them to replace the spontaneous action of the laws of capitalism; and that this substitution is not an instantaneous action but a process of the development of new con-

¹ V. I. Lenin, *Collected Works*, Vol. 28, p. 190.—Ed.

ditions in society's economic life. "But they (the working class—*Ed.*) know at the same time that *great strides* may be (made) *at once* through the *communal form of political organisation* (that is, thanks to the setting up of the state in the form of the dictatorship of the proletariat—A.R.) and that the time has come to begin that movement for themselves and mankind."¹

The socialist state in the form of the dictatorship of the proletariat emerges as a result of the revolutionary action of the progressive forces in modern capitalist society. Without the conquest by the working class of state power, without the establishment of the proletarian dictatorship, without its hegemony, relations of production cannot be made to correspond to the level of development attained under capitalism by the productive forces after they have outgrown the capitalist form of appropriation and come into sharp conflict with it.

With the establishment of the political domination of the working class, state power passes into the hands of the popular masses, who are vitally interested in abolishing the capitalist system. From a power that subjugates and enslaves society, state power is transformed into a power wielded by society. The political domination of the working class is the political form of the social liberation of the people as a whole.²

Having cognised the objective economic need for socialism, the proletariat transforms the capitalist economy into a socialist economy, in one way or another overcoming the resistance of the exploiting classes, and putting the interests of the working people before all others. This transformation includes: the "expropriation of the expropriators", i. e., the proletarian nationalisation (even compensation if necessary) of large-scale industrial, banking, trading and land capital (in certain historical conditions, of all the land, as in the case of the U.S.S.R.); the gradual economic limitation and finally the ousting of other capitalist elements; and all-out assistance to simple commodity producers in their voluntary production co-operation.

¹ K. Marx and F. Engels, *Archives*, Russ. ed., Vol. III (VIII), Moscow, 1934, p. 334.—*Ed.*

² See K. Marx and F. Engels, *Archives*, Russ. ed., Vol. III (VIII), Moscow, 1934, pp. 326-28.—*Ed.*

While eliminating capitalist elements in the economy, the socialist state does not throw people overboard. It does not keep anyone from the means of production or deprive him of a means of subsistence. It eliminates only capitalist, exploiting ownership of the means of production, and for the first time in the history of mankind satisfies the genuinely human need for means of production and means of subsistence of every member of society (including those who did not work before).

Economic role of the socialist state

The economic role of the socialist state in the form of the dictatorship of the proletariat is not confined to proletarian nationalisation and other reforms. The state organises the work of the whole economy along socialist lines and establishes the socialist economic system throughout the country. Accordingly, it draws ever wider sections of the broad masses of the working people, and eventually all the members of the classless society, into the direct management of the entire economy, and in this way teaches them such management. These processes require the use of methods of persuasion and also methods of coercion. "The form of coercion," Lenin said, "is determined by the degree of development of the given revolutionary class, and also by special circumstances, such as, for example, the legacy of a long and reactionary war and the forms of resistance put up by the bourgeoisie and the petty bourgeoisie.... Given ideal class-consciousness and discipline on the part of those participating in the common work, this subordination would be something like the mild leadership of a conductor of an orchestra ... the sharp forms of a dictatorship if ideal discipline and class-consciousness are lacking."¹

In the interests of society as a whole, the socialist state applies methods of coercion (sometimes severe ones) to thieves, swindlers, loafers and other anti-social elements. The forms of this coercion must be carefully laid down by legislative acts passed in a democratic manner. These forms should have nothing in common with the false conceptions and practice of arbitrary dictatorial methods. The Party

¹ V. I. Lenin, *Collected Works*, Vol. 27, pp. 268, 269.—Ed.

has for this reason decisively condemned distortions of Leninist principles of administration that were used during the period of the Stalin personality cult.

With the building and consolidation of socialism, and the growth of the consciousness and discipline of all the members of society (leading in turn to the consistent obliteration of non-antagonistic class and group distinctions between workers, peasants and intellectuals), the socialist state, as the social body charged with the management of the building of the new society, gradually assumes a new form: the dictatorship of the proletariat becomes the *state of the whole people*, organising the full-scale construction of communism. During the gradual transformation of socialism into full communism the forms of social administrative bodies will inevitably undergo further changes.

The transition of society to a classless structure will replace the government of men by the administration of things, i.e., it will result in what Marxism calls the withering away of the state. The economic-organisational function carried out at present by the people's state cannot wither away. In 1918 Lenin pointed out that this function "is destined to grow, to develop and become strong, performing *all the main activities of organised society*".¹

The state is not decreed away, it withers away. The state of the whole people is a new stage in the process of the withering away of the state, in the process of the transition of society to *stateless self-administration*. The latter does not require the government of people, but it does require the social management of the production and distribution of material wealth in the interests of all members of society.

The development of the socialist state finally ensures the maturing of stateless self-administration. This maturing does not proceed in isolation from the state but takes place within it. Lenin stressed the need for socialists to recognise "the fact that the *state will exist until victorious socialism develops into full communism*".²

At none of its historical stages does the socialist state stand above the people. Every member of socialist society can rightly say: *l'état c'est moi*. The common will of the

¹ V. I. Lenin, *Collected Works*, Vol. 27, p. 408. Author's italics.—Ed.

² Ibid., Vol. 22, p. 323. Author's italics.—Ed.

people is expressed through the representatives they elect, who are accountable to them and can be replaced by them at any time. The supreme will of the whole people culminates in the decisions of the central organs of state power. The decisions of the state do not express the selfish interests of isolated groups exploiting the mass of the working people, but embody the fundamental interests of the masses and their will, which the government, since it is responsible to the people, is obliged to fulfil and which indeed it cannot fail, because of its social nature, to fulfil. In socialist society power is a prerogative of the people themselves: the state apparatus and the government are the most faithful servants of the people and not their masters.

The sovereignty of the people in socialist society is also expressed in the public control they organise on the basis of social initiative and which is headed by their vanguard—the Party. The Party of the working class, as distinct from the parties of all other revolutionary classes, struggles not only for a political upheaval within the country, but also works for the socio-economic transformation of society. Therefore, with the victory of the proletarian revolution it becomes a party that takes charge of the building of new economic relations, of the new economic forms for the sake of which the revolution was carried out.

The Party of the working class and of the working masses following it, having guided the struggle of progressive social forces for the conquest of state power, now heads these forces and the state bodies they create in order to implement the building of socialism. With the development of socialism, with the passing over to communism, and the gradual elimination of the distinctions between the working class, the peasantry and the intelligentsia (and with them the disparities between physical and mental labour and between town and country), the Party of the working class becomes the vanguard of the whole people, leading them towards their common goal—communism. It leads the people in the creative work they carry out in state and public organisations. The people headed by its Party direct and control the work of all the bodies helping them to build a genuinely human society—communism.

The working out of concrete economic measures by the socialist state under the guidance of the Party, on the basis of a cognition of economic laws, and the implementation

of these measures, is called *economic policy*. Economic policy is based on the theoretical propositions of Marxist-Leninist political economy; it consists of practical conclusions drawn from them. Economic policy is at the same time a real expression of the operation of the non-spontaneous laws of the communist formation, and a test of the truth of what has been cognised in economic life. A society of associated producers conducts a scientific economic policy to the extent that it has succeeded in "grasping, realising, mastering objective truth" (V. I. Lenin).

The success of socialist society's economic policy depends both on the profoundness of its cognition of economic laws of social development, and also on the skill with which it draws correct practical conclusions from them. It will be easily understood that false theoretical principles lead to false practical conclusions. For example, the ignoring in theory of the fact that in socialist society machines and equipment can become obsolete, at one time had the practical result that deductions for depreciation were calculated according to methods which did not ensure technological progress.

Negative results follow when laws that are already known are forgotten or ignored. The March (1965) Plenary Meeting of the C.C. C.P.S.U. emphasised that in the management of agriculture far too little account was being taken of the requirements of the economic laws governing the development of socialist economy, and that at times they were even completely ignored. Such laws as the law of planned, proportionate development and the law of extended reproduction, and the principle of combining personal and social interests, etc., were all violated. At that time, actions of a purely subjectivist character were gaining the upper hand in agricultural management, especially in the fields of planning, price-fixing, financing and crediting. The Plenary Meeting adopted decisions aimed at rectifying these mistakes and at ensuring the rapid advance of socialist agriculture.

The correctness of practical conclusions depends not only on the extent to which economic laws are understood in their pure form, but also on the consideration given to prevailing concrete historical conditions. In considering the question of the improvement of the planning of industry and the extension of the economic independence of

enterprises, the September (1965) Plenary Meeting of the C.C. C.P.S.U. took into account not only the requirements of the law of planned proportionate development but also the concrete historical situation in the country. The Plenary Meeting adopted a decision decreasing the number of centrally planned indices to the following: type of output, volume of output, dates of its completion and dispatch, material and technical supplies, the profitability of the enterprise and deductions for the country's needs. At the same time it was found that it would be premature to give up the centralised planning of the enterprise's wages fund. The Plenary Meeting decided that this will become possible only when the amount of consumer goods being manufactured corresponds to the purchasing power of the population, i.e., when the production of consumer goods is so developed that the reserves of such goods will be large enough to provide against any unplanned growth in the working people's effective demand.

The historical conditions in which society works consist of the level of development of production, external and domestic political conditions, the comparable experiences of other countries, the level of general welfare of the different groups and sections of the population, and the changes all these factors are undergoing. Correct practical conclusions cannot be drawn if historical conditions and the changes at work in them are not taken into account. That is why Lenin emphasised that the taking of practical decisions affecting the economy as a whole must be closely linked to the theoretical analysis of economic reality. "... Theoretical and practical work merge into one."¹

Economic laws themselves undergo certain modifications under the influence of concrete historical conditions. Thus, the law of distribution of the communist formation as a whole in its ideal form requires that the constantly growing needs of the members of society for means of subsistence and culture be satisfied to the full in order to ensure the all-round and free development of the personality of each member. Nevertheless, during the period of transition from capitalism to socialism, and during the process of the development of socialism and its gradual growing over into communism, the practical operation of this law of

¹ V. I. Lenin, *Collected Works*, Vol. 1, p. 298.—Ed.

distribution takes the form of distribution according to the quantity and quality of the labour of each. Only under full communism can the principle of distribution according to need be implemented.

There are constant changes in the manifestation of laws because historical conditions change all the time. The growth of labour productivity, of the consciousness of the associated producers and of their economic activity, gradually augment the importance in distribution of material and spiritual wealth channelled to individual consumption, irrespective of the quantity and quality of the labour contributed by each worker to social production.

The will, preparedness and ability of the masses

When working out economic policies, i.e., cognising economic laws in concrete historical situations, account must be taken of the totality of conditions prevailing in the whole body of society, and not only those in certain sections of it. Lenin said "that policy should not be determined only by the desires and views, by the degree of class-consciousness and the militancy of one group or party alone".¹ To be correct, economic policy must conform not only to economic laws but also to the *will, preparedness and ability of the popular masses* to implement the economic tasks facing them.

The role of these subjective factors follows from the very essence of socialist economic activity, which is both conscious and co-ordinated. The degree of the unity of the will, readiness and ability of the mass of the associated producers to act in solidarity determines the degree to which the requirements of an economic law can be satisfied. *If the masses are not willing, ready and able to act in solidarity, laws cannot be utilised in the interests of all members of society.* The will and ability of the masses is not a thing that is given once and for all, but something that constantly develops together with the development of society's productive forces. For example, the readiness and the ability of the masses to work in solidarity in the early stages of Soviet society's development, when it relied on techniques typical of the first quarter of the 20th century,

¹ V. I. Lenin, *Collected Works*, Vol. 31, p. 81.—Ed.

assumed a specific expression distinct from that it now assumes, when electronics, atomic energy and modern chemistry, etc., are being put to use.

In a socialist society, the will, readiness and ability of the working masses are not spontaneous factors. Though they are subjective factors, they are objectively determined, and therefore consciously controlled by society.

In the building of the foundations of communism, and even more so in the building of full communism, Lenin considered it crucial to forge a *single will* of the masses. He said that it was essential "to forge the wills of millions and hundreds of millions of people—disunited, and scattered over the territory of a huge country—into a single will, without which defeat is inevitable. Without this solidarity, without this conscious discipline of the workers and peasants, our cause is hopeless. Without this, we shall be unable to vanquish the capitalists and landowners of the whole world. We shall not even consolidate the foundation, let alone build a new, communist society on that foundation."¹

The single will of a class (like that of the whole people) is a product of everyday practice, and of the realisation by it, gained in the course of this practice, of its vital common interests, and the need to fight for them by concerted action. It is the formation of this single will, objectively conditioned, that is placed under the conscious control of the working class (or of the people as a whole).

Whereas under capitalism the social action of the masses produces an average result, a force equilibrating contradictory interests and actions, a considerable portion of which neutralise one another, socialism, creating a community of the interests of all working people, makes the actions of individual people supplement each other, multiplies their effect and thus, introducing truly social labour, attains an enormous saving of effort.

The vanguard of the working class (of the people) is the first to sum up and generalise the results of everyday practical experience, to reveal the genuine community of interests, and it thus assumes the role of a catalyst accelerating the maturing of the single will of the working class (the people), cementing the wills of the millions of

¹ V. I. Lenin, *Collected Works*, Vol. 31, p. 288.—Ed.

its disjointed members into one. The Party inspires social consciousness in the masses and consolidates them, giving their social action a conscious and organised character.

However, as regards the understanding of social life, the Party always outruns the masses it leads. It is therefore particularly important for the Party to take strict account of the level to which the single will of the working class (the people) has matured, so as not to lose its contact with the masses and not to substitute its own consciousness for that of the masses. Lenin seriously warned against this. The Party was "in no case to endeavour to outrun the people's development, but to wait until a movement forward occurred as a result of their own experience and their own struggle".¹

If the vanguard forges ahead of the masses it makes decisions on practical steps which, though formally correct, are impracticable (at the time). Therefore, attempts to carry out such measures may constitute a serious danger to the social economy.

For example, during the period of war communism—which played an enormous role in mobilising the economy and the forces of society for routing the counter-revolutionaries and foreign interventionists—the attempt to introduce in our then still small-peasant country communist principles of production and distribution was not a successful one. Particularly erroneous was the idea of enlisting the peasantry in the implementation of this plan. "Socialism," Lenin wrote, "cannot be imposed upon the peasants by force and ... we must count only on the power of example,"² i.e., on conviction.

A similar error was committed in the initial stages of the all-out collectivisation drive. Leninist principles, such as the need to have objectively rational time-limits for drawing the peasants into collective farms, the principle of their voluntary entry into them, and the principle that socialisation was to be carried out among individual households only to the extent to which it was acceptable to the peasants themselves, were all violated.

Of course, the Leninist principle that the Party must not outstrip the development of the masses does not mean that

¹ V. I. Lenin, *Collected Works*, Vol. 28, p. 141.—Ed.

² *Ibid.*, Vol. 26, p. 458.

nothing should be done, that the Party should just sit back and hope for the best. On the contrary, it means that active steps should be taken to mould the consciousness of the working class (the people), to forge its single will, its cohesion, its class discipline—but that all this should be done without attempts to jump over necessary stages.

The vanguard of the working class draws ever wider sections of the masses (ultimately the whole population) into discussions of the problems facing their joint economic activity. Such extensive discussions of all questions are held at meetings of primary public organisations, meetings of workers' collectives, various congresses of workers in science and production, Plenary Meetings, meetings of active members, conferences, and finally at Party Congresses and Sessions of the country's Supreme Soviet. The press also participates in the discussions, explaining to the masses the essence of the problems being discussed and of the solutions proposed.

The masses, generalising their vast experience, then put forward common decisions and prepare for their implementation. Responsible elected organs (congresses) pass resolutions expressing the single will of the people, and in this way consolidate and strengthen their resolve. "That is the way," Lenin wrote, "we develop an enlightened attitude.... In this way we arrive at common decisions and mould a common will."¹

Until the consciousness of the masses has been developed, until their common will has been forged, decisions conflicting with their wishes and obliging the masses to implement them, should not be adopted. *Measures which conform with theoretical principles, but the need for which is not understood by the masses, cannot be realised, cannot result in conscious, united social action.* When proposing measures, administrative bodies must be certain that the masses are already convinced that it is necessary to carry them out in their common interests. Only this will make it possible to use economic laws in the general social interest, to abolish arbitrariness in the economy. The more complex the proposed measures are, the more deeply they effect the people, the greater must be the attention devoted to making them the conscious wish of the people. "The more

¹ Ibid., Vol. 30, p. 511.

profound the change we wish to bring about," Lenin said, "the more must we rouse an interest and an intelligent attitude towards it, and convince more millions and tens of millions of people that it is necessary."¹

Even so, consideration of the level of the unity of the will of the masses is not the only thing required for the utilisation of economic laws. Indissolubly linked to the people's single will are other subjective factors, especially their readiness and ability to carry out proposed practical measures. These supplement and deepen the unity of the will and consciousness of the masses. Their *readiness* is expressed primarily in the level of mass activity, in the level to which their self-organisation, self-discipline and self-activity are developed. This readiness of the masses is connected with the presence in society of the necessary material conditions to ensure that it will not be wasted.

However, the availability of necessary material means does not mean that these means will necessarily be used properly. For them to be used properly the masses must be *able* and *directly interested* in the most effective use of them. The ability to do this makes it possible to put economic laws to use in an expert way. It is expressed in the deep mastery of general educational, special technical and economic knowledge, in the understanding by everyone of the business in which he is engaged. Without it the means of production cannot be used with the productivity that is necessary to attain the abundance needed to ensure the complete welfare of the people and the all-round, free development of the personality of each.

The higher, given unity of will, is the readiness and ability of the masses, the more fully are economic laws used in the interests of all members of society.

The readiness and ability of the masses to give effect to practical conclusions drawn from economic laws is taught them by their vanguard, which organises their active participation in the management of the national economy, and channels their efforts in the necessary directions. The masses must be taught to carry on economic activity in a collective way. Their ability to organise joint labour, to organise the common application of their power, can only be based on "large-scale machine industry, and it has never

¹ V. I. Lenin, *Collected Works*, Vol. 31, p. 498.—Ed.

... had any other material basis".¹ Large-scale production forges and tempers the readiness and ability of the masses.

It is not only a question of teaching the workers—within the limits of the enterprise, branch of production, or industry as a whole—and the peasants—within the limits of the collective farm, intercollective farm enterprise, or the country's entire agriculture—to conduct economic activity collectively. In the final analysis it is a question of teaching all members of society—workers, peasants, and intelligentsia, men and women—to conduct economic activity *within the framework of the whole national economy*. In other words, the task is to teach all members of society the practical skills needed to manage the whole of industry and agriculture, plus transport and communications, plus local communal economies, plus cultural establishments, that is, their entire social life, in their common interests. The arbitrariness of social development will only be finally abolished and fully replaced by conscious management by the masses when every worker fully and deeply realises all the social consequences, both immediate and remote, of his every action.

Such economic activity calls for the closest comradely co-operation and mutual assistance between all members of socialist society, for the fullest and most rational use of the collective power of social labour and the material means of production. It is equally necessary to provide conditions of labour worthy of man, lightening his labour, abolishing what Marx called the spontaneous division of labour, inherited from the past, which enslaves man, and creating a system of completely automated production.

To be able to conduct the economy, every member of society must consciously observe strict labour discipline and adopt a new attitude towards labour, regarding it as a prime vital necessity and as creative activity. In addition, everyone must thoroughly understand that the production task he fulfils is part of the single process that creates the whole mass of society's material and spiritual wealth. He must participate in the working out of national economic plans and in remedying shortcomings in the economy.

On the other hand, the idea that the ability of the masses can be reduced solely to their enthusiasm, discipline,

¹ Ibid., Vol. 30, p. 508.—Ed.

conscientiousness and other moral factors is wrong. To acquire true ability the masses must be educated, prepared and instructed over a long period of time. *This calls not only for universal literacy among the working people but also for universal polytechnical education, the real opportunity for everyone to receive a specialised secondary and higher education and training in the carrying on of research. It calls for facilities to ensure the development of the creative abilities of every member of society.* This means that it is essential to abolish such capitalist vestiges in the economy and in the consciousness of the people as loafing, grabbing, eyewash, attempts to shirk socially useful work, private capitalist strivings for unearned incomes, the pilfering of social wealth and so on.

All this is carried out by the masses under the leadership of the people's vanguard, their Marxist-Leninist Party. Lenin said that "...the Communist Party, the vanguard of the proletariat, leads the non-Party workers' masses, educating, preparing, teaching and training the masses ... first the workers and then the peasants—to enable them eventually to concentrate in their hands the administration of the whole national economy ... in actually concentrating in their hands the management of the whole national economy".¹

Some theoreticians and practical workers ignore Lenin's demand for giving due consideration to the indissoluble unity of the will, readiness and ability of the masses by relying exclusively on only one factor—the will of the masses to advance the country. Failing to reckon with real possibilities they demand enormous increases in production in fantastically short times and in the absence of the necessary preparations and material conditions for it. This is not a materialist, not a Marxist, but an idealistic, voluntaristic approach.

Lenin always maintained that it was necessary to weigh all factors thoroughly before practical conclusions were drawn. Let us, for example, see how the C.P.S.U. has used the law of the correspondence of relations of production to the productive forces.

The immediate practical conclusion that could have been drawn from this law in the period of the proletarian revo-

¹ V. I. Lenin, *Collected Works*, Vol. 32, p. 50. Author's italics.—Ed.

lution was that it was essential to transform all capitalist property in town and country into social property. However, in spite of the fact that the will of the working class and the mass of the working people, following the Party, was clearly expressed in their revolutionary actions, the Party did not make expropriation its immediate task. The Party considered that the masses were neither ready nor able to implement this task, since it was necessary not only to expropriate capitalist property but also to manage it. The working class, whom the bourgeoisie had never taught the art of production management but only how to carry out its orders, naturally did not possess the necessary ability. The immediate task was to learn production management.

"We did not decree socialism immediately throughout industry," Lenin said, "because socialism can only take shape and be consolidated when the working class *has learnt* how to run the economy and when the authority of the working people has been firmly established. Socialism is mere wishful thinking without that. That is why we introduced *workers' control*, appreciating that it was a contradictory and incomplete measure, but an essential one so that the workers themselves might tackle the momentous tasks of building up industry in a vast country without and opposed to exploiters."¹ But even after accumulating some experience in industrial management with the establishment of workers' control, the Soviet Government did not at first nationalise all industry, the banks and trade, but only the commanding heights of the economy.

In the first days of its existence the Soviet Government decreed the abolition once and for all of the ownership of land by big landowners, and handed over to the peasantry, in keeping with their demand for equalised land tenure, 150 million dessiatines² of confiscated land (additional to their allotments), and then nationalised all the land in the country. The Decree of the Soviet Government on Land drew the broadest masses of the peasants into joint co-ordinated social action. But these measures abolished only the semi-feudal relations that had hampered the develop-

¹ V. I. Lenin, *Collected Works*, Vol. 28, p. 139. Author's italics.—Ed.

² A dessiatine equals 2.7 acres.—Tr.

ment of commodity-capitalist agriculture. The small commodity production that remained in the rural areas, and which did not differ from the one that had existed under capitalism, continued to give birth to capitalist elements on a mass scale. At the same time this source of capitalism in agriculture could not be dried up by expropriating the numerous small peasant owners (the working peasants) and by establishing socialist agricultural production in that way. This would have broken up the alliance between the workers and the majority of the peasants and would have brought to nought all chances for the triumph of the proletarian revolution.

The only correct way to implement this difficult task, Lenin pointed out in his plan for agricultural co-operation, was to effect the voluntary and (ultimately) complete transition of agriculture to collective forms of farming. Since the bulk of the peasantry was not yet ready for such a transition, the Party and the Soviet Government initiated a set of measures that were to prepare for the transition of the mass of the peasantry to collective production. The peasantry convinced itself by its own experience of the need and advantage of this and gradually began voluntarily to organise collective farms on a mass scale.

The Soviet Union needed nearly fifteen years to implement the requirements of the law of the correspondence of relations of production to the productive forces, and to carry out socialisation in industry and agriculture. Taking into account the material potential, the will of the masses and the degree of their readiness and ability to act in the needed direction, the Party and Government took practical steps in conformity with the requirements of this law. They organised the masses step by step, stirred them to co-ordinated social action, applying the law ever more extensively in the interests of all members of society.

Simultaneous and continuous utilisation of economic laws

The various practical conclusions to be drawn from economic laws are not divorced from one another, but are connected, and can be used in the interests of society only if their interconnection is taken into account. A society of associated producers cannot make conscious use of one

law while at the same time allowing others to act spontaneously. In drawing their practical conclusions from the law of correspondence, the Party and Soviet Government had to take into account simultaneously the requirements of other laws, especially those of the basic economic law and the law of the priority growth of the means of production. Practical conclusions were also drawn from the law of the planned, proportionate development of the economy, which helped to strengthen the regulating influence of the Soviet state on economic development as a whole.

Society must not fail to take the demands of economic laws into account so long as the economic conditions for their operation continue to prevail. For example, the law of value had to be taken unfailingly into account when, immediately after the Civil War, it was necessary to establish in the Soviet Union constant and stable relations between socialist industry and private small-peasant households. The law of value did not lose its significance, either, after socialism had triumphed in the Soviet Union.

Value levers are used to establish plan targets for production and circulation. These targets are given not only in physical but also in monetary terms. In the economic conditions now prevailing in the U.S.S.R., the profitability of each enterprise, the successfulness of the work of the various industries and of the entire economy, and the progress made in the fulfilment of plans, etc., can be established only with the help of plan indices given in terms of value. This use of the law of value helps spread and strengthen cost accounting, ensures the rational management of production and stimulates the productive activity of the working people.

Lack of skill in discovering concrete forms for the proper utilisation of the law of value can inflict considerable damage. A strange theory which circulated for a long time in the Soviet Union maintained that it is impossible to calculate the production costs of collective farms. As a result, the analysis of their economic activity was superficial, the profitability of various branches of agricultural production and the economic effectiveness of different methods of cropping were not estimated, the system of labour remuneration was not improved and all this interfered with the attempts to make the work of all and every collective farm profitable.

The practical conclusions drawn from the law of value by the Party and the state are subordinated to the practical conclusions drawn from the basic economic law of socialism and the other economic laws operating in socialist society. These conclusions find their reflection in national economic development plans.

A good example of the complex utilisation of economic laws and the consideration given to the concrete historical situation are the decisions of the September (1965) Plenary Meeting of the Central Committee of the C.P.S.U. In considering the problems of improving the management of industry, improving planning and strengthening the economic stimulation of industrial production, the Plenary Meeting based itself on all the economic laws prevailing under socialism. These are the basic economic law of the formation, the law of planned, proportionate development, and other laws. The extent to which the requirements of the basic law are satisfied depends on the degree to which the volumes of individual and production consumption needed for the all-round development of the personality are correlated with the volumes that can be achieved with the existing levels of social labour productivity. In this connection the Plenary Meeting set the task of accumulating huge funds to increase capital investments, while simultaneously promoting the growth of the people's material welfare.

The fulfilment of these tasks in accordance with the law of planned, proportionate development calls for increasing the effectiveness of social production, and abolishing the disproportions that existed in the past between the development of agriculture and industry, between groups A and B in industry (i.e., between the production of means of production and means of consumption), between capital construction and material and technical supplies in the fulfilment of production plans within industrial groups, etc., all of which arose as a result of erroneous and frequently voluntaristic policies. The abolition of these shortcomings at a time of general economic advance of the socialist economy calls for improved planning on a national economic scale and in the work of every enterprise.

Emphasising the significance of the economy of labour in the fight against all manifestations of mismanagement, wastefulness and unproductive expenditure, the Plenary

Meeting adopted decisions in keeping with the requirements of the law of the economy of labour time. It also stressed that it was necessary to normalise the planning of capital investments, improve the use of fixed assets and increase the returns obtained from them, and to accelerate the introduction and mastery of new techniques and technical means in production.

This could be achieved only if the material and moral interests of enterprises and their workers were strengthened. The Plenary Meeting therefore pointed out that it was necessary to extend the operational and economic independence of enterprises, to improve cost accounting, to better the system of price formation, to strengthen the material interests of the working people in improving the work of enterprises, to raise deductions from profits to the incentive funds of enterprises, etc. All these measures are designed to meet the demands of the law of value under socialism.

We could continue to enumerate the measures the Plenary Meeting adopted in connection with the various economic laws, but those listed above will suffice to illustrate that they are all used simultaneously.

These measures were not the fruit of "arm-chair theorising". They were not worked out in isolation from the concrete historical situation. They were the result of a deep scientific study and generalisation of current national experience in all parts of the economy, in which everyone directly interested participated. For a number of years the problems connected with the improvement of the planned management of industry were extensively discussed by Party and economic bodies, by scientists and by the press. A great number of useful suggestions were advanced. Next, new methods of planning and economic stimulation were introduced at a number of enterprises in the garment, footwear and textile industries, and also at some car factories, and these experiments produced positive results. This shows that the concrete historical situation was taken into account and that all the necessary preparations were made before the proposed measures were implemented. The preparations for these measures show that care was taken to increase the ability of the masses to implement them.

The implementation of economic measures cannot proceed spontaneously, without guidance. The masses must

understand their meaning, their well-foundedness, and the need to prepare for mass action. That is why so much importance is attached to informing the people in detail of Party and Government decisions, and to organising their activity. This work is headed by the people's vanguard, the Communist Party, which strives to create a feeling of economic responsibility in every citizen.

After the political line has been worked out and the main economic and political tasks for the period in question have been formulated, the economic organisational work of the Party, the Government and the masses, directed at the implementation of these tasks, becomes enormously important. Their success depends largely on the organisation of joint co-ordinated economic activity, on the management of production, distribution and exchange, on the skill of the people in charge to make effective use of various economic levers, such as cost accounting, money, price, credit, finance, etc., in the interests of production development. *To manage the economy in the interests of all members of society means to organise the co-ordinated, conscious social action of the masses, excluding all spontaneity and arbitrariness, which are incompatible with the aim of production of the communist formation and with the planned, proportionate development of the national economy.*

The deliberate use of economic laws in the communist formation is not a single act; it is a process. It is not limited by any internal social contradictions and is therefore in principle inexhaustible. Every step in the development of economic life creates a new historical situation and necessitates the drawing of new conclusions from economic laws, and for new economic measures. The transition period between capitalism and socialism, socialism itself, and full communism, are the main historical stages of the application of economic laws. The particular economic and political conditions of these stages in the development of the communist formation determine the form and the extent to which economic laws are applied.

Economic laws themselves also alter, since the relations of production within the communist formation change. The essential interdependencies and causal relationships in the social economy change in the process of development; some wither away and others take their place. As we have

already mentioned, the law of distribution changes continuously, while the law of value must eventually wither away as a result of the growth of production and the abolition of spontaneous elements in the division of labour. Again, at a certain stage of the development of the communist formation there will appear the law of socially necessary free labour time. So it cannot be said that mankind has already uncovered and cognised all economic laws and categories. And the laws and categories that are known are not immutable. They will undoubtedly be supplemented and their operation made more precise in future. Furthermore, entirely new laws and categories will arise.

The cognition and use of the different laws of the communist formation proceed at different levels in both its phases. There are laws which everybody must know and implement daily, such as the obligatory direct creative participation of everyone in common labour, the economic use of his own labour time, the raising of labour productivity, socialist emulation, etc. But such conscious action by everyone cannot be achieved overnight. These laws must first become man's second nature. The members of a society of associated producers must fulfil them as a matter of course, as natural habitual actions, like brushing one's teeth in the morning. In this sense the laws begin to operate, as it were, automatically, "spontaneously". This is exactly what Marx meant when he said that the "spontaneous action of the natural laws of capital and landed property" can only be superseded by the "spontaneous action of the laws of the social economy of free and associated labour".¹

Then there are the laws which must be thoroughly known and voluntarily, consciously implemented by the whole nation (the national collective), and by the separate collectives in every part of the national economy (the law of the planned management of the entire national economy, the law of the economy of labour time at every enterprise, the law of social reproduction and reproduction on the scale of single enterprises, etc.) Naturally, these laws must be known by every member of society, who should participate actively in their realisation. To elaborate

¹ K. Marx and F. Engels, *Archives*, Russ. ed., Moscow, 1934, Vol. III (VIII), p. 334.—Ed.

national economic plans and the plan targets of enterprises, to organise measures for their implementation, there must, however, be central social bodies, which enlist the activity of all members of society, under public control, work out plans and organise their fulfilment in the general social interest.

Only an active approach to the cognition and use of economic laws can produce the necessary results. A passive approach impedes their realisation. Enormous harm is caused by *bureaucratic* methods of management, formalism and red tape in the implementation of necessary measures. In the final analysis the violation of the requirements of laws can result in anarchy. That is why *the conscious utilisation of the laws of the communist formation, their operation through the consciously organised economic activity of all members of society on a social scale, is in itself a law governing the manifestation of all other economic laws.*

It is extremely important to realise this, because the communist formation is that stage of human development in which the making of abstract generalisations about the real world and their practical application (the test of their validity) from a single indissoluble process. "... The whole thing now is *practical work*..." said Lenin, "the historical moment has arrived when theory is being transformed into practice, vitalised by practice, corrected by practice, tested by practice."¹

* * *

The application of economic laws is essentially a practical test of their truth. But to use laws in the interests of all members of society it is necessary, as we have said above, *first*, deeply and comprehensively to grasp the whole body of economic laws of the communist formation in their pure form, that is, to cognise the causal relationships and interdependencies objectively inherent in communist production relations—in the domination of public ownership of the means of production. To cognise the system of laws of the socialist (communist) economy means to cognise every particular law in its structural connection with all the other laws of the system, the foundation of which is

¹ V. I. Lenin, *Collected Works*, Vol. 26, p. 413.—Ed.

the basic economic law. The laws must be studied in operation, in their interconnections, and in their manifestation as the principal trends underlying the development of the relations of production.

Second, it is necessary to have a deep scientific understanding of the concrete historical situation and of the changes it is undergoing. This demands not only knowledge of the level of development attained by social production in all its mutually conditioned relations and mediations, but also knowledge of the internal and external political situations, their historical origins and the prospects for their development. The internal situation includes the political and economic status of the main classes of socialist society and of its various social layers—professional groups, etc.—and the relations between the different nations and nationalities inhabiting the country. Generally, it is necessary to know the objective degree of the unity of the will, the readiness and ability of the masses to act in solidarity in the direction needed by all members of society.

Third, it is essential to draw correct practical conclusions from knowledge of economic laws and prevailing historical conditions, and to determine the practical economic measures the masses can implement at the given time most effectively. Subjectivism or voluntaristic arbitrariness only bring such measures to nought and weaken the subjective factors needed to attain unity of action.

Fourth, to use economic laws in the general social interest it is necessary to *organise* in a single direction the conscious social action (the action of the broad masses) that is needed to carry out proposed measures. This means the masses should be made aware of the need for unity of action. Material conditions for such social action should be prepared, and the masses taught how to act in keeping with the material and technical conditions in which economic measures are implemented. It is also essential to provide the broadest masses with incentives for the best possible implementation of the proposed measures at all levels of co-ordinated economic activity.

Because it is aware of the importance of economic theory to the successful, conscious economic activity of the people, the Party organises the profound study of theory, and itself uncovers and generalises the processes at work in

the economic life of society. The Party arms the broad masses with scientific knowledge and thereby promotes their unprecedentedly rapid advance in all fields of life.

Lenin foresaw this. "Nobody believes," he said, "that any important change can be achieved at a fantastic speed; but we do believe in real speed, speed compared with the rate of development in any period in history you like to take—especially if progress is guided by a genuinely revolutionary party; and this speed we shall achieve at all costs."¹ This prediction has been fully endorsed by subsequent events, and our rate of development will continue to grow, because the movement of the people for the building and development of the new society is headed by a Party that is armed with knowledge of scientific communism.

¹ V. I. Lenin, *Collected Works*, Vol. 33, p. 392.—Ed.

CONCLUSION

The questions of methodology, and the principal laws and categories of the communist formation that we have looked into, enable us to draw certain conclusions.

From the methodological point of view, the political economy of the communist formation is the direct continuation of the political economy elaborated by the founders of Marxism-Leninism. The dialectical materialist principles of economic research evolved by Marx, Engels and Lenin serve as unerring guides in the analysis of the new problems posed by the practice of communist construction in the Soviet Union, in the development of socialist economies in the countries of the socialist system, and in the expansion and consolidation of international socialist production relations.

The deep methodological unity of the different parts of Marxist-Leninist political economy, despite the specific features of each, is determined by the dialectical essence of the subject itself. The subject determines the method.

In studying relations of production, the founders of Marxism-Leninism derived and formulated those *scientific methodological principles* without which science in general, including political economy, could not exist. These include the principles of the movement of scientific cognition from direct, concrete reflection by the senses to abstract generalisation, and its subsequent movement back from the abstract to the concrete (following the reproduction in the mind of all the internal relations of the subject of study). Finally, they include the principle that practice is the criterion of truth. These principles involve the ideas of objectivity, of development, of the organic cohesion and unity of relations; and also the system of criteria relating

to the separate stages of the process of cognition (for example, the criterion of recurrence and the other criteria for distinguishing the essential from the non-essential in the selection of facts, and methods for forming scientific abstractions and the subsequent reduction to concrete forms), and so on.

The founders of Marxism-Leninism formulated special *methodological principles of socio-economic research which are of universal application to political economy* and a number of sciences closely related to it. First is the principle of the leading, determining role of relations of production in the intricate pattern of social relations (*only* this principle, said Lenin, made it possible to apply the methods of science to political economy). Next is the principle of the concrete historical and logical approach to the investigation of the main trend in economic relations, demanding that the specific qualities of the structure and the movement of economic relations at the various stages of their development be taken into account. This covers all the general categories and concepts of political economy (such as labour time and spare time, surplus product, departments of social production, etc., etc.) with the help of which men master new economic material.

The methodological unity of the Marxist-Leninist political economy of capitalism and socialism follows from the fact that, from the time it first appeared, Marxist political economy approached the study of capitalism from a point of view of the working-class interests and exposed its internal contradictions—the development of which objectively evolves the tendency to replace the capitalist system by the new communist social system. This approach to the analysis of the past and present while keeping the future in mind, enabled the founders of Marxism to formulate a series of fundamental principles *relating directly to the political economy of the communist formation* which today can serve as a methodological manual for the economic investigation of communist (socialist) relations of production. These methodological principles, drawn from analysis of the contradictions and trends of development of social production under capitalism, give continuity to the development of Marxist political economy: yet they express at the same time the specific qualitative features distinguishing the investigation of the economic relations of social-

ism and communism from the study of capitalism. They emphasise the new qualitative feature of socialist economic relations—the co-ordinated economic activity of associated producers who have got rid of the spontaneous struggle between supply and demand.

In discussing the categories and economic laws of the communist formation, we have tried to use to the fullest possible extent the method of Marx, Engels and Lenin.

It would however be a gross error to transplant mechanically the concepts and categories of the political economy of capitalism to the political economy of socialism and communism. Not only common methods but special methods, too, must be used in each section of political economy, methods determined by the specific content of the relations of production of each economic formation.

In speaking of the unity between the methods used for economic investigations of the communist mode of production, and those used by Marx in *Capital* and by Lenin in his analysis of imperialism, we have in mind not results in the form of ready concepts, categories and scientific laws, but the methods of arriving at these results. Nevertheless, the scientific method is not made up of a number of hard and fast formal rules which can be used irrespective of the specific content of the relations of production of each formation. Research is directed at the disclosure and reproduction in the mind of the researcher of the internal dialectics of the subject of study, and the method of research is determined by the dialectics of the subject. The relations of production of the communist and capitalist formations are fundamentally opposed. The relations of exploitation in capitalist society, or the "reciprocal and general dependence of mutually indifferent individuals",¹ are replaced under communism by relations between associated producers, who are the joint owners of the means of production and are co-ordinating their efforts in the production of material and spiritual wealth to be used in the general social interest. So the highly specific features of its subject of study cannot but affect the methods of research and the tasks of the political economy of the communist formation. The practical purpose of the polit-

¹ K. Marx and F. Engels, *Archives*, Russ. ed., Moscow, 1935, Vol. IV, p. 87.—Ed.

ical economy of the working class in the new conditions, is to make sure that social production is "controlled by social foresight",¹ to make "the development of the productive powers of man and the transformation of material production into a scientific domination of natural agencies".²

Marx considered that the most important condition for the attainment of these sweeping aims was to enlist the broadest masses of the working people in their implementation. "But," he said, "numbers weigh only in the balance, if united by combination and led by knowledge."³ *To gain this knowledge, to arm the masses with it, to promote their organisation and to spark off mass social action—these are the over-riding aims of political economy under the new social system.*

The significance and role of scientific political economy has grown enormously under socialism and communism. Under socialism it is a major link in the chain of social sciences, called upon, as stated in the Programme of the C.P.S.U., to elaborate scientific basis for the guidance of society, that is, to analyse every step of society's progressive movement, so as to be able, on the basis of already known laws, to work out concrete recommendations for further advance.

However, political economy would not be able to fulfil this role if it were to confine itself only to the registration and description of new facts. It would then lose sight of the law-governed international trends of economic development, would be unable to make well-founded forecasts and to work out practical measures for rapid economic advance. Scientific cognition of new economic phenomena is made possible only by uncovering those deep internal relations (expressed in the categories and laws of economic science) that extend over considerable periods of economic development.

This raises the following question: since political economy, like all sciences, proceeds in its analyses from what already exists, how can it cognise the general laws of the communist formation before full communism has been

¹ K. Marx and F. Engels, *Selected Works*, Vol. I, Moscow, 1955, p. 383.—*Ed.*

² *Ibid.*, p. 358.

³ *Ibid.*, p. 384.

established? Would it not be better to delay the analysis of the general laws and categories of the communist formation until full communism has been achieved?

The cognition of the general laws of the communist mode of production is not only possible at the present time but very necessary. *To deny the need for the cognition of these laws is to regard the process of communist construction as an arbitrary, spontaneous, uncontrolled process.*

Our conviction that it is both possible and necessary to cognise the general laws of the communist formation at the present stage is based on the fact that the economic reality within which they operate has been in existence now for some decades. Undeniably, the communist formation has passed only through its initial stages—the stage of transition from capitalism to socialism, the socialist stage, and (in the Soviet Union) the stage of the full-scale construction of communism. But, if the general objective laws of the new formation had not been operating during all that time, this development, which is proceeding in a single definite direction and is certainly not based on the laws of any other economic formation, would have been nothing short of a miracle. Since we can observe this development, we are in a position to investigate the laws governing it.

How easy or difficult it is to cognise these laws in any given period is quite another matter. Naturally, the earlier the stage in the development of the economic reality we observe, the more difficult it is to disclose the general laws of its movement. This is because we encounter in it the greatest amount of residua of former epochs, which leave their imprint on new relations and complicate the scientific analysis of these relations in their specific form. The laws of the communist formation do not at present operate in their *pure form* and it is the task of science to disclose these laws behind the maze of circumstances complicating them. In this respect we can rely on the example of the founders of Marxism-Leninism who deduced some general laws of the communist formation from an analysis of the internal contradictions and trends of development of the *capitalist mode*, and from an analysis of the *first* steps of the new social system. The correctness of their conclusions is endorsed every day. Can there be any doubts today as

to the need for the investigation of the communist formation, one based on analysis of the trends of development of socialism?! Such doubts can hardly be considered well-founded.

Political economy does not construct utopias. It investigates the present, and its analysis begins with the investigation of the total body of real facts appearing on the surface of economic phenomena. At this first stage of scientific cognition, the economist must use his skill, as Lenin has pointed out, "to select what is most important and essential without becoming submerged in details of secondary importance..."¹ The main thing is to choose facts which are typical of the very nature of the subject of study from among those that may be accidental or stem from a preceding type of relations. "To determine 'type'," Lenin said, "one has, of course, to take the basic economic features of the system..."² The guiding idea in this process of selection should be the idea of development. "What is needed is not a statement of the fact, but an explanation of its origin."³ Only by taking into account all these and a number of other methodological requirements can the economist select the facts really needed for the cognition of his subject.

After making a thorough selection and analysis of the real facts, the economist then uses the method of abstraction to rise to the cognition of those essential economic connections and relations that are represented in the categories of political economy, and from them to the cognition of the laws determining the trends of development in the economic organism he is studying.

The complex methods of research to be used in this kind of investigation were condensed or summarised by the founders of Marxism-Leninism in the single idea of *investigating phenomena in their "pure form"*, that is, the idea of the logical reconstruction of the internally law-governed system of the subject of study, of its essence, by consistent abstraction from everything incidental, external and transient. This is to be achieved through the logical synthesis of the abstractions obtained from analysis

¹ V. I. Lenin, *Collected Works*, Vol. 4, Moscow, p. 112.—Ed.

² *Ibid.*, Vol. 1, p. 496.—Ed.

³ *Ibid.*, p. 462.—Ed.

of facts. The investigation of phenomena in their pure forms makes it possible to see through the seeming chaos of changes, to see behind the complex zigzag movement of history, to see the main direction of the progressive movement, its main tendency, and the obstacles impeding the progress of society, and thus to remove them in time. The investigation of all the problems touched upon in this work was based on this method of cognising phenomena in their pure form.

The specific quality of the relations of production of the communist formation finds its reflection in the order in which the theoretical investigation of economic categories and laws is carried out. In order to reproduce the laws of the structure and development of the subject of study in the system of the concepts and categories of political economy, it is necessary to single out from among all essential connections that relation which is basic and primary, that determines all others in the economic system under investigation. Marx used the relation of commodities in the act of exchange between two commodity producers as this primary relation, and represented its essence in the category of value. In socialist society, where public ownership of the means of production is the basis of the internal structure of the economy, the mutual relations of individual producers cannot comprise its primary relation. The relations of individual producers cannot be understood without taking into account the economic whole—the connections determining the co-ordinated economic activity of people on a social scale—and therefore individual relations cannot be the point of departure of theoretical analysis.

The *primary relation* determining the comradesly collective production of associated producers can only be one that discloses the basis of the economy's internal structure—the *relation of public ownership of the means of production itself*. In the same way the primary law of political economy, that determining all its other laws is the law expressing the basic connection of the whole, that is, the basic economic law of the communist formation.

The "economic man" of the communist formation is the whole of society, and the most basic units of the economy are not isolated individuals, but *production collectives—enterprises*—since it is only through their mediacy that

the individual can participate in the economic relations of society.

As distinct from the economies of all preceding formations, the economy of communist society develops not spontaneously but from the purposeful co-ordinated activity of the broad mass of the working people, led by the Communist Party. This elevates the role of the subjective factor in the social process. The transition from one stage of development to another, higher one, is possible only if the unity of will to implement socio-economic transformations has matured in the masses, if they are ready for such transformations, and, finally, if they possess the ability necessary to translate them into reality. Therefore, the political economy of the communist formation investigates the unity of the will, the preparedness and ability of the masses as economic factors, without which it would be incomplete and false.

In modern conditions, when material production takes the form of "domination with the help of science over the forces of nature" (K. Marx), and science itself becomes a social productive force, political economy faces new tasks in its analysis of the economic aspects of scientific and technological progress. Modern technology, which is opening up enormous possibilities for the growth of the social productive forces, makes big demands on production organisation and on the people controlling technology. Complex mechanisation and automation of production requires that there be accurate co-ordination between the work of the individual parts of the production cycle, and that accurate and timely information be available on the production processes, expressed in magnitudes that can be rapidly processed and acted upon. Automated production produces a qualitative change in the character of technological development. Whereas formerly technological progress was mainly the sum of relatively independent improvements and inventions, now the introduction of new elements involves the restructuring of complex and expensive systems. This, in turn, makes it necessary to provide more thorough economic foundations for the directions taken by technological progress. The development of modern science involves enormous capital investments and is prompted not only by the quest for knowledge but also by the economic considerations. A modern economist must know not

only present production possibilities, but must also be able to foresee future developments. He must foresee the qualitative changes in the structure of the productive forces of society in order to stimulate the most promising technological improvements and scientific research. He must demand of technology and science that they satisfy the needs of socially controlled production for many years in advance.

The demands which the modern productive forces make on the worker are also changing in quality. The main trend in these changes is the steep increase in the role played by people's creative abilities.

Thus, the problems of economic research are steadily becoming more complex and more extensive. They call for the combined efforts of scientists of fields of knowledge often quite remote from one another. The combination of their efforts is possible only on the basis of comprehensive elaboration of the fundamental theoretical problems of the political economy of the communist formation. It is only by relying on a sound theoretical foundation that applied economic disciplines can develop, and that mathematical, cybernetic and experimental methods of research can be correctly used to solve economic problems.

Social production managed by social foresight rejects a political economy that is divorced from reality, and that only serves to satisfy the thirst for knowledge of individuals. There must be the constant and ever more profound cognition of the whole aggregate of the relations of production and distribution of material and spiritual wealth and, above all else, the study of the development of modern technology and science, and their application to industry. The political economy of the communist formation is truly a science of the broad masses of the working people, a science whose successful development presupposes the participation of every worker in national accounting and economic control.

Economic management cannot rely on "rule of thumb" principles and disjointed data. It requires the drawing up of exact recommendations based on thoroughly checked data, and on the study of the economic effect of a variety of possible solutions to national economic problems. "Life itself," the materials of the Twenty-Second Congress of the C.P.S.U. emphasise, "calls for scientific grounding and

economic foresight of a new, far higher order in the fields of planning and management. The drafting of plans and endorsement of economic measures should be preceded by a thorough-going scientific analysis of the problems of economic and technical development."¹ It is also essential that the practice of *public discussion* of important problems connected with economic development, and their preliminary study by experts in the various branches of economic science and in allied sciences, be further expanded. It may be advisable to set up a scientific consultative economic body that could issue recommendations to the bodies managing the national economy on the basis of deep and comprehensive analysis of both immediate and, especially, long-term tasks.

The scientific elaboration of the fundamental problems of the theory of political economy, and the constant generalisation of the rich experience amassed in the course of communist construction, are required by the very nature of the production relations of the communist formation. It is needed for the development of a genuinely human society, that is, communism.

¹ *The Road to Communism*, Moscow, p. 241.—Ed.

APPENDIX

The *quantitative side* of the basic economic law of communism (and also of socialism) is expressed in the *magnitude* or *scale* of needs socialist society has to satisfy. The scale of society's needs in means of production, means of livelihood and means of culture must be equal to the scale of the needs required for the free all-round development of all members of society. But the level which social production attained in a country always limits this scale. Thus, the *scale of the needs of all members of socialist society is equal, on the one hand, to the scale required for ensuring the free all-round development of all members of society and, on the other, to the scale permitted by the level of the social productivity of labour attained by the members of socialist society themselves.*

The quantitative side of socialism's basic economic law is the reference *point* for the co-ordinated operation of the national economy by the associated producers. This side of the law demands thorough econometric elaboration. Although Soviet economic science has made the first steps along these lines, this research is far from complete.

Ascertainment of the magnitude of the total needs of socialist society's members is mainly linked with two (mobile) bounds. These bounds determine the two magnitudes of society's total needs: the magnitude of the *ideal* total needs and the magnitude of the *real* total needs.

Society's *ideal total needs* do not depend on the production potentialities of a given country. They follow from what is ultimately *required*, all other conditions being equal, for ensuring the free all-round development of every person. Materially, they are based above all on the actual scientific and technological achievements of society as a whole, that is, the really possible technological application of the findings of the natural sciences. That is why they are the ideal needs of each socialist country taken singly, and become the *guideline* for determining the real ways of the quantitative growth of the socialist economy. Finding the level of ideal total needs and of their dynamics (graphically depicted by a curve) is thus a prime requisite for the co-ordinated operation of the economy by the associated producers.

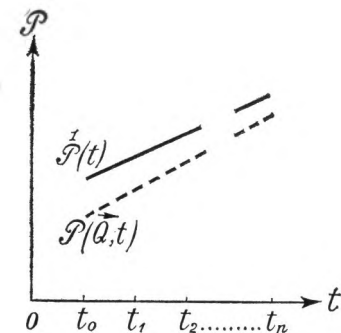
The real total needs of socialist society directly depend on the level of a country's social production. These needs are based on the actual condition of social production. It is this condition that determines the real scale of needs which is *permitted* objectively at a given moment. The development level of social production serves as

basis for determining the real possibilities of utilising the technologically mastered achievements of science and technology, the real possibilities of a given country and the bounds, in which changes might take place in the foreseeable period, in the technical composition of the given social production. The real total needs, which in drawing up national economic development plans are oriented on the ideal total needs, *asymptotically* draw nearer to the latter. The degree of approximation of the real total needs to the ideal depends on the real possibilities of developing social production in a given country.

The relationship of the ideal total needs and the real total needs can be graphically depicted as follows.

P is the total consumer and productive needs of society; t is time ($t_0, t_1, t_2, \dots, t_n$ are periods of time); $\frac{1}{p}|t|$ are the

ideal total needs of society (as a function of time); $P(\vec{Q}, t)$ are the real total needs of society (as a function of social production and time).



The correlation of the magnitudes of the ideal and real total needs with the *optimal* use of the given productive forces of a country indicates the *optimal degree of satisfaction* by society of its total needs, which is possible in each given moment. Let us designate it by X and express the *ideal* and the *real* total needs in socially necessary labour-time or in value. Let us designate the former through p and the latter through W . Then the optimal degree of satisfaction by society of its total needs will equal $X = \frac{W}{p}$. For example, $\frac{100}{200p} = X$, or $X = 1/2 = 50\%$.

The actual degree of satisfaction by society of its real total needs can be below the optimal. If we designate the value of the product created with the given productive forces through Wn , the actual degree of satisfaction of society's real total needs (designated through Xf) will be $Xf = \frac{Wn}{p}$. For example, $\frac{80}{200p} = 40\%$. Hence,

the difference between the optimally possible satisfaction of needs under the given development level of the productive forces and the actual satisfaction will be $X - Xf = a$, that is, $50\% - 40\% = 10\%$. In other words, the actual satisfaction of the total needs, as compared with the really (optimally) possible (if the latter are taken as 100%) will be 80% .

The increase in the satisfaction by society of its needs must not outstrip the rise in the productivity of labour of its members. Taking into account this factor, which plays its part in determining the magnitude of society's real total needs and, consequently, their actual

satisfaction, the formula $X = \frac{W}{P}$ can be broadly presented as follows:

$$X = \frac{W' (\tau - S)}{AW' [\tau - (S + S_1)]}$$

where τ is the entire physical sum of time of all workers engaged in production (in hours: 365×24), S is the entire time free of productive labour, W' is the output produced in one hour (in value), S_1 is the increase in free time and A is the coefficient of growth in labour productivity.

It follows from this formula that the rise in the satisfaction by society of its total needs depends on the growth of labour productivity (inasmuch as the denominator expresses the *ideal needs*). From this it also follows that labour productivity must rise faster than free time.

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